Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **27 FEBRUARY 2020 AT 12:30**	**Agenda Item No:** **6** **Report No:** **AUD/108/20**

EXTERNAL AUDIT 2019/20 - AUDIT PLAN

Presented by the Director of Finance & Resources

SUMMARY

As part of the 2019/20 audit the Authority's external auditors (Ernst & Young) have produced a plan to cover the annual and end of year audit 2019/20. This plan is attached at Appendix A to this report.

The auditor's intention is to undertake a fully substantive audit which will review and report on the financial statements as well as arrangements for securing economy, efficiency and effectiveness in the use of resources. As in previous years it will include a review of the work of the internal auditors, including audit plans and reports, together with reports from any other work completed in the year. The plan also covers other mandatory audit procedures required by auditing standards as well as the financial statements and value for money risks.

Materiality will be assessed prior to the audit of the 2019/20 financial statements. The auditor uses gross assets as the basis of materiality to reflect the fact that the main focus of the users of the accounts has been assessed to be the Authority's stewardship of the assets, rather than the service expenditure.

The plan also highlights any potential risks for producing the financial statements and sets out the auditor's process, strategy and broad timetable.

The plan sets out the scale fee set by Public Sector Audit Appointments for 2019/20 at £14,337.

RECOMMENDATIONS

Members Approve:	(1)	the Authority's position regarding additional Audit Fees as set out at paragraph 6 of this report;
Members Note:	(2)	the External Auditors' Audit Plan for 2019/20 attached at Appendix A to the report; and
	(3)	the proposed annual audit fee for 2019/20 as set out in in the financial implications of this report.

BACKGROUND

1 The role of external audit is to provide an annual independent assessment of how the Authority is discharging its responsibility for the stewardship of public money.

The audit focusses not only on the financial statements but also on Value For Money, particularly in relation to the budget, levy and key projects, for example the Leisure Services Contract procurement.

The Auditors' conclusions are reported in their annual Audit Results Report later in the year following the Final Accounts Audit in the Summer. This Plan summarises their work to date and highlights risks which may arise during the course of the annual audit.

2 In previous years preliminary audit work (interim audit) was carried out to assess the Authority's arrangements for ensuring the proper conduct of its financial affairs. In discussion with officers the auditor has provided for this to be completed as part of the year end audit and this is included within the plan.

AUDIT PLAN 2019/20

3 The Audit Plan for 2019/20 is attached at Appendix A to this report. The Auditors are planning to commence all their audit work from the beginning of June and this will be concluded as part of the Annual Audit Results Report in July.

4 The scale fee for 2019/20 is £14,337 which is the same as that charged in 2018/19. However, the proposed fee by the auditor is likely to be higher and may not cover for the specific audit work and risks identified in section 1 (pages 4 & 5) of the plan which highlights potential risks that may impact upon the completion of the annual audit.

AUDIT LETTER 2018/29 AND ADDITIONAL FEES

5 Attached at Appendix B to this report is the Annual Audit letter for 2018/19 with a proposed additional fee. The auditor's assessment of the gross cost to Ernst & Young was £35,570. The proposal is that the Authority contribute an additional £10,232 on top of the £14,337 scale fee set by Public Sector Audit Appointments (PSAA). This means that Ernst & Young are proposing to cover £11,001 of their identified additional costs.

6 The view of officers and that expressed by Members at the last Audit Committee to this proposal is that they would resist any additional costs. The key points to note are summarised below:

- no "forensic" breakdown of the additional fees has been supplied to date;
- no evidence that the additional work carried out was outside the scope of the original scale fee;
- no account of the additional time resource put in by Authority officers to deal with the "inefficiencies"/resource problems of Ernst & Young during the Audit;
- the Authority's asset base and associated risks had not changed in a number of years. The Authority's valuer provided all detail, calculations and evidence;

- it is not clear why the Vale For Money work incurred additional costs;
- the pension calculation re McCloud and GMP judgments were provided by our actuaries at a direct cost to the Authority. Ultimately demonstrating that this was: a) not material; and b) highly speculative as no legal remedy was available at the time.

ENVIRONMENTAL IMPLICATIONS

7 There are no environmental implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

8 There are no equality implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

9 The scale fee set by PSAA to be charged by the External Auditor in 2019/20 is £14,337 and is the same as that charged in 2018/19.

10 This fee estimate does not include for any additional costs resulting from the specific audit risks identified in the plan. Officers believe the existing budget for the External Audit should be sufficient unless a material additional risk arises and therefore impacts upon the standard fee. Members will be kept appraised of this during the Audit and any potential variation will be reported to this Committee and the Executive Committee as part of the regular revenue budget monitoring.

HUMAN RESOURCE IMPLICATIONS

11 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

12 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

13 There are no risk management implications arising directly from the recommendations in this report although the audit plan does highlight financial statement risks that are likely to impact on the Audit and subsequently impact on the final fee.

14 If Members reject the auditor's proposal to the additional fees for 2018/19 the auditor may still submit these to PSAA who may agree with the auditor's assessment and deem the extra fee is payable. The written views of the Authority will be put to the PSAA if Members agree to resist the additional charge for 2018/19.

Author: Simon Sheldon, 01992 709859, ssheldon@leevalleypark.org.uk

ABBREVIATIONS

PSAA	Public Sector Audit Appointments

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/105/19	External Auditor's Audit Results Report – 2018/19 Accounts	19 September 2019

APPENDICES ATTACHED

Appendix A	The Audit Plan 2019/20
Appendix B	Annual Audit Letter for the year ended 31 March 2019

Lee Valley Regional Park Authority

Initial Audit planning report

Year ended 31 March 2020

February 2020

Private and Confidential

February 2020

Lee Valley Regional Park Authority
Myddelton House, Bulls Cross
Enfield, Middlesex
EN2 9HG

Dear Audit Committee Members

Initial Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority. This follows our initial audit planning procedures and discussions with senior management on the Authority's key strategic, operational and financial risks on the 11th February 2020. We have agreed with the Authority's senior management a provisional timetable for our 2019/20 audit to take place from the end of May and during June 2020. We will be finalising the scheduling of the audit to take account of the Authority's timetable for the production of the financial statements, associated working papers and staff availability. In agreement with the Authority's senior management, we will not be undertaking any interim audit procedures but in the meantime we will continue to complete the remainder of our audit planning procedures to finalise the scope and strategy of our 2019/20 audit. We will update the Audit Committee on our final audit strategy, materiality levels prior to the audit of the Authority's 2019/10 financial statements and highlight where our initial assessment has changed during the course of the audit.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 27th February 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris

For and on behalf of Ernst & Young LLP

01 Overview of our 2019/20 audit strategy

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We will consider during the course of our audit whether in light of the Authority experiencing ongoing procurement and legal challenges, there is a heightened risk on the appropriate recognition and accounting for provisions.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	As noted above, under ISA 240, management is in a unique position to perpetrate fraud through the override of controls. We have considered the main areas where management may have the incentive and opportunity to do this. We have identified the inappropriate capitalisation of revenue expenditure on property, plant and equipment as an area of risk, given the extent of the Authority's capital programme.
Pension liability valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.
Valuation of land and buildings, including investment properties	Significant risk	No change in risk or focus	Property, Plant and Equipment (PPE) and Investment Properties (IP) represents not only significant balances in the Authority's accounts but drives the strategy and operational objectives of the Authority. Valuations are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE and IP balances held in the balance sheet. As the Authority's asset base (particularly six sports centres) remains significant and specialised, and the outputs from the valuer are subject to estimation, there is a higher inherent risk assets may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates which we are likely to do with specialist support from our EY Real Estates team.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Management of the six sports venues	**Significant Value for Money risk (Informed decision making)**	New risk for 2019/20	On the 23rd January 2020, the Authority took a decision on the short term arrangements with the management of its six sport venues following the conclusion in October and November 2019 of its procurement for the future Leisure Services Contract. This decision followed a challenge to the outcome of the procurement from one of the bidders. This means that the Authority is currently unable to confirm, and where appropriate, change the contract provision for its Leisure Services until the conclusion of the legal challenge. Following a consideration of options, the Authority has taken a short term decision to bring the management of the six sports venue in-house from the 1st April 2020 once the current contract with Lee Valley Leisure Trust Limited expires on the 31st March 2020. We have obtained the Authority's decision making papers that were taken to the 23rd January 2020 meeting alongside the proposed 202/21 revenue budget and levy. We will review and corroborate the arrangements the Authority has and will continue to put in place before 31st March 2020 and in the period up to our audit opinion on the 2019/20 audit. We will specifically consider how the Authority has: • Explored options, alternatives and choices. • Mitigated procurement, financial, operational and reputational risks. • Obtained and considered relevant commercial, financial and legal advice. • Secured an effective transition to the in-house management of the six sports venues, including mitigation of any ongoing procurement and financial risks.
Going Concern: Compliance with ISA 570	**Inherent risk**	New risk for 2019/20	The revised standard increases the work we are required to perform when assessing whether the Authority is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee. Further details of these changes and the implications for our 2019/20 audit and future years audit procedures are shown on page 8.
IFRS 16 – readiness assessment	**Inherent risk**	New risk for 2019/20	Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable Authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020. Further details of these changes and the implications for our 2019/20 audit procedures are shown on page 9.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Lee Valley Regional Park Authority give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and

- Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Lee Valley Regional Park Authority audit, we will discuss these with management as to the impact on the scale fee.

Overview of our 2019/20 audit strategy

Other areas of audit focus. Information on key changes

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
Going Concern Compliance with ISA 570 This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for Lee Valley Regional Park Authority will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether Lee Valley Regional Park Authority is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee. The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.' 'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'	The revised standard requires: • auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias; • greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements; • improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements; • a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and • necessary consideration regarding the appropriateness of financial statement disclosures around going concern. The revised standard extends requirements to report to regulators where we have concerns about going concern. We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.

Other areas of audit focus. Information on key changes

What is the risk/area of focus?	What will we do?
IFRS16 – leases	
IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.	IFRS 16 – leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.
Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to published, but in July 2019 CIPFA/LASAAC issued 'IFRS 16 leases and early guide for practitioners'.	Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.
This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including: • the identification of leases • the recognition of right-of-use assets and liabilities and their subsequent measurement • treatment of gains and losses • derecognition and presentation and disclosure in the financial statements, • the management of leases within the Prudential Framework.	In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify: • all leases which need to be accounted for • the costs and lease term which apply to the lease • the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease.
The guidance also covers the transitional arrangements for moving to these new requirements, such as: • the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees • the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).	We will discuss progress made in preparing for the implementation of IFRS 16 – leases with the finance team over the course of our 2019/20 audit.

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards
- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code
- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

02 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence. ▸ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Written confirmation that all covered persons are independent; ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▸ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Independence

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is nil. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Independence

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf

03 Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Proposed Final Fee 2018/19
	£	£	£
Total Fee - Code work	Note 2	14,337	24,337 (1)
Total fees	TBC	**14,337**	**24,337**

All fees exclude VAT

(1) As reported in our 2018/19 audit planning report and audit results report to the Audit Committee, we undertook additional work in 2018/19 in relation to changes in scope on the valuation of the Authority's specialised assets (£5,000), the recognition of pension liabilities for McCloud and Guaranteed Minimum Pensions equalisation (£2,500) and our review of the Authority's arrangements for commercialisation of its assets and the progress of its Leisure Services procurement (£2,500). We have provided management with a proposed fee variation of £10,000 which has yet to be agreed. Subject to further comment from senior management and the Audit Committee, we will also supply this to PSAA to enable PSAA to determine the final fee for 2018-19 audit. We will provide an update on the final fee position determined by PSAA to the Audit Committee.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

(2) For 2019/20, the scale fee will be impacted by a range of factors (see page 4 and 5) which will result in additional work, on which we will update the Audit Committee, as the audit progresses. We will provide a further update to the Audit Committee on our proposed fees when we have finalised our audit strategy and prior to our audit of the 2019/20 financial statements.

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – February 2020 and May 2020
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit results report – July 2020

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report – July 2020
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management	Audit results report – July 2020
Fraud	• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud	Audit results report – July 2020
Related parties	• Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report – July 2020

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence	Audit planning report – February 2020 and May 2020 Audit results report – July 2020
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – July 2020
Consideration of laws and regulations	• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of	Audit results report – July 2020
Internal controls	• Significant deficiencies in internal controls identified during the audit	Audit results report – July 2020

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2020
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit results report – July 2020
Fee Reporting	• Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit planning report – February 2020 and May 2020 Audit results report – July 2020

Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	• Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. • Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. • Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • Concluding on the appropriateness of management's use of the going concern basis of accounting. • Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. • Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and • Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements. We will update the Audit Committee prior to our audit of the 2019/20 financial statements on our planned level of audit materiality. For the Authority, we typically base on our audit materiality on gross assets as opposed to service expenditure as we believe the Authority's stewardship of its assets influence the economic decisions of the users of the financial statements. We do set specific and lower testing thresholds to inform the level of work we perform on revenue transactions.

Materiality determines:

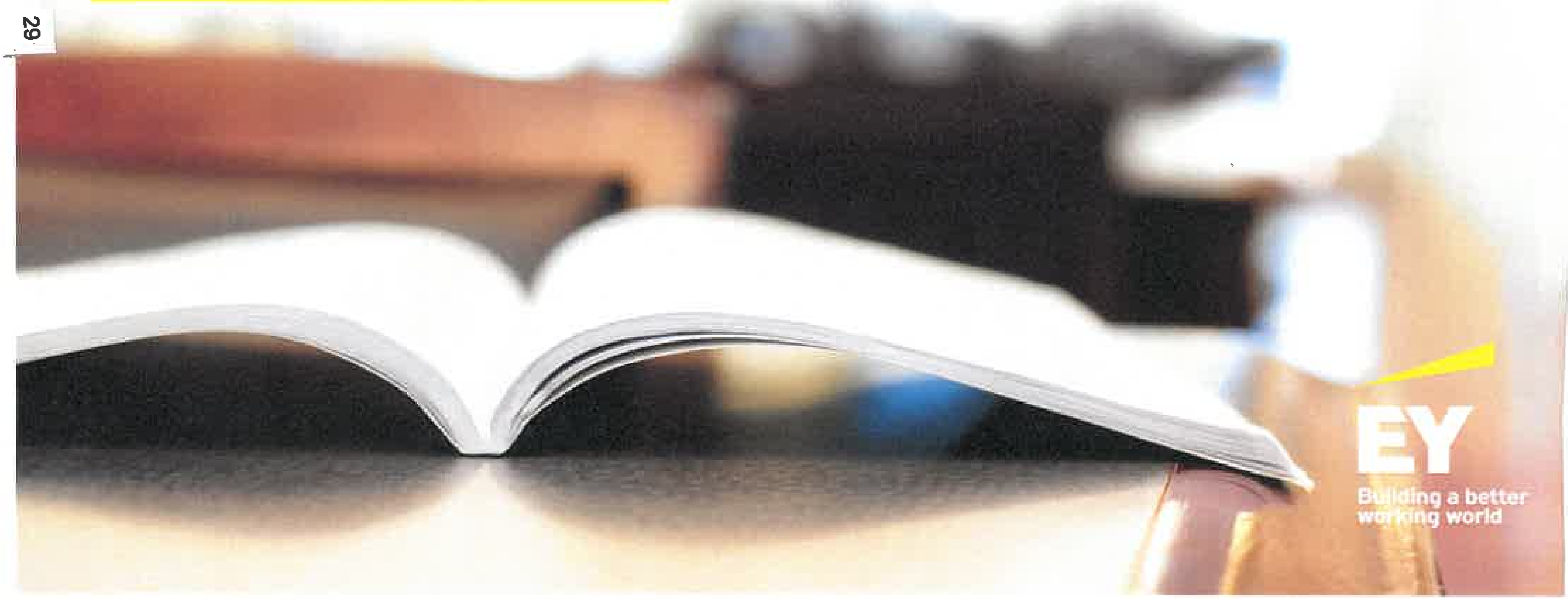
- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material during and at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Lee Valley Regional Park Authority

Annual Audit Letter for the year ended 31 March 2019

31 January 2020



Contents

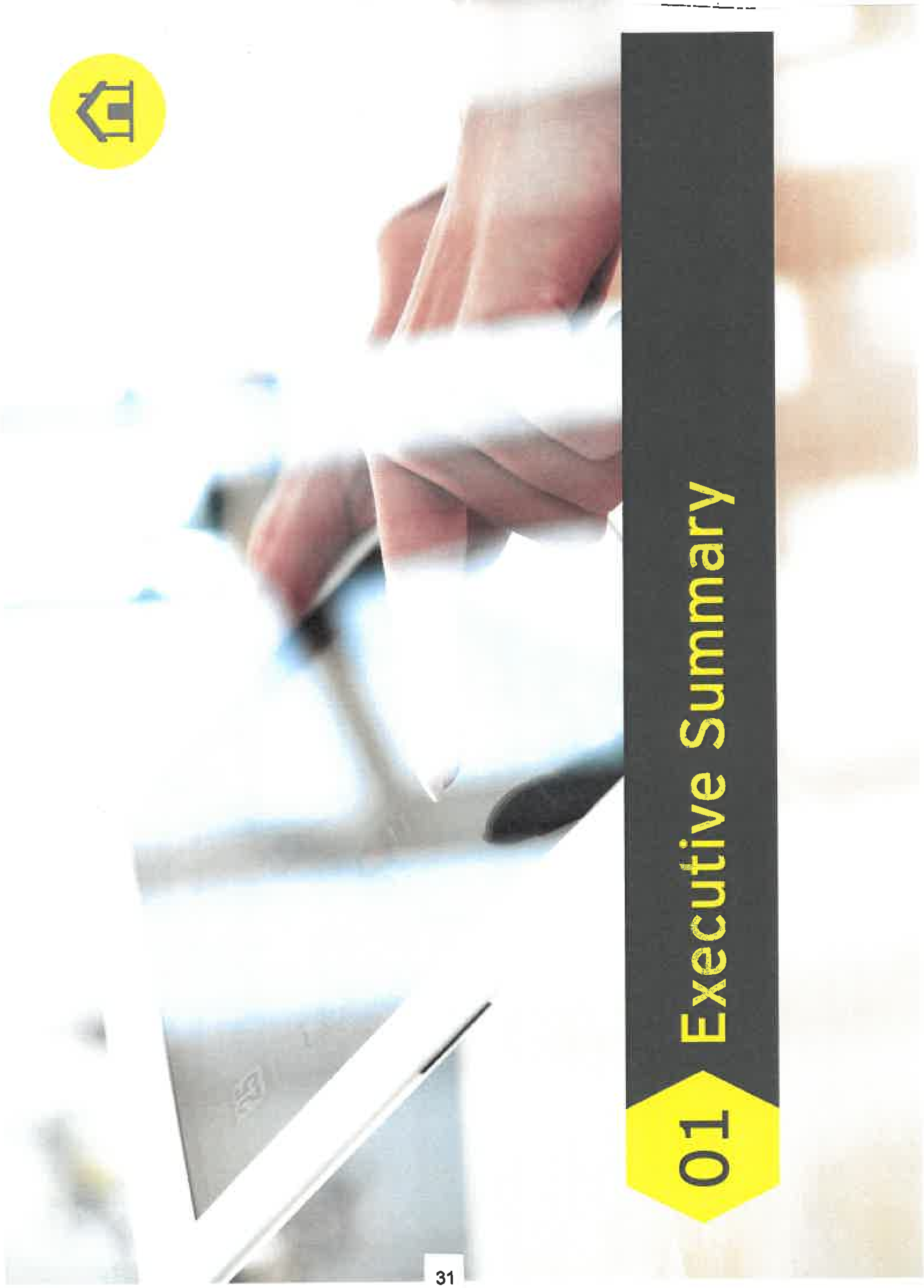
Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA set out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Lee Valley Regional Parkl (the Authority) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's: ► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We have no matters to report to date. We are in the process of concluding this work which will be finalised before the 13 September deadline.

Executive Summary (cont'd)

In addition we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 19 September 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO's 2015 Code of Audit Practice.	We have not as yet issued our audit completion certificate. We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's WGA consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion and will be completing the WGA work before the 13 September deadline.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP

02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 19th September 2019. Finance, Audit and Risk Committee representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we presented at the January 2019 Finance, Audit and Risk Committee and is conducted in accordance with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. As auditors we are responsible for:

- Expressing an opinion:
  - On the 2018/19 financial statements; and
  - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
  - If the annual governance statement is misleading or not consistent with our understanding of the Authority;
  - Any significant matters that are in the public interest;
  - Any written recommendations to the Authority, which should be copied to the Secretary of State; and
  - If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the NAO on your WGA return.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

03 Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for it to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Authority's Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO and issued an unqualified audit report on 21 September 2019. We reported detailed findings to the 19 September 2019 Audit Committee.

We summarise here the key risks we identified and our conclusions.

Other Areas of Audit Focus	Conclusion
Valuation of Other Land and Buildings and Investment Properties The fair value of Property, Plant and Equipment (PPE) (£226.343 million) and Investment Properties (IP) (£5.176 million) represent significant balances in the Authority's accounts.	Our audit procedures above did not identify any material differences in the financial statements.
Pension Liability Valuation The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet.. At 31 March 2019 this totalled £29.913 million.	The Authority has considered the impact of the national issues impacting all local authority pension schemes including the value of investments. We were satisfied that the uncorrected misstatements were not material and do not represent a significant misstatement.
New accounting standards The Authority had t implement two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are: ▸ IFRS 9 - Financial instruments ▸ IFRS 15 - Revenue from contracts ▸ IFRS 16 - Leases (2020/21).	FRS 9 - Financial Instruments: Our audit procedures for financial instruments did not identify any audit issues. IFRS 15 - Revenue from Contracts: Our audit procedures for revenue from contracts did not identify any audit issues. IFRS 16 - Leases: The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16.

Financial Statement Audit (cont'd)

Our application of materiality

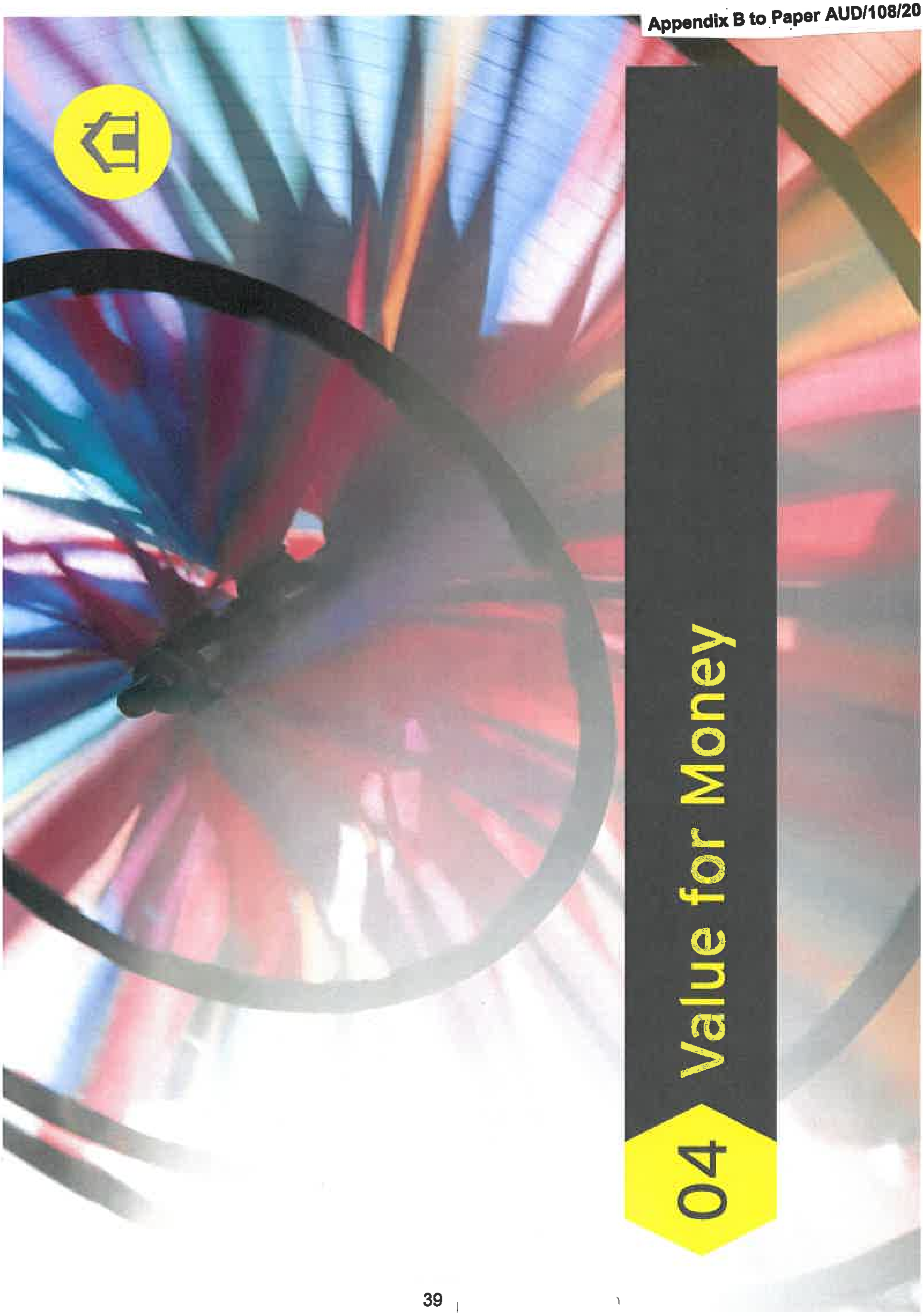
When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £4.726 million (audit plan – £4.742 million) which is 2% of gross assets reported in the accounts. This results in a performance materiality, at 75% of overall materiality, £3.544 (planning: £3.556 million). We consider gross assets to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.236 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



04 Value for Money

Value for Money

Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

In our Audit Plan we identified two significant risks

- Delivery of a robust Medium Term Financial Plan
- Commercialisation decisions to generate income and maximise the return from assets

The tables below present our findings in response to the risks in our Audit Planning Report

We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

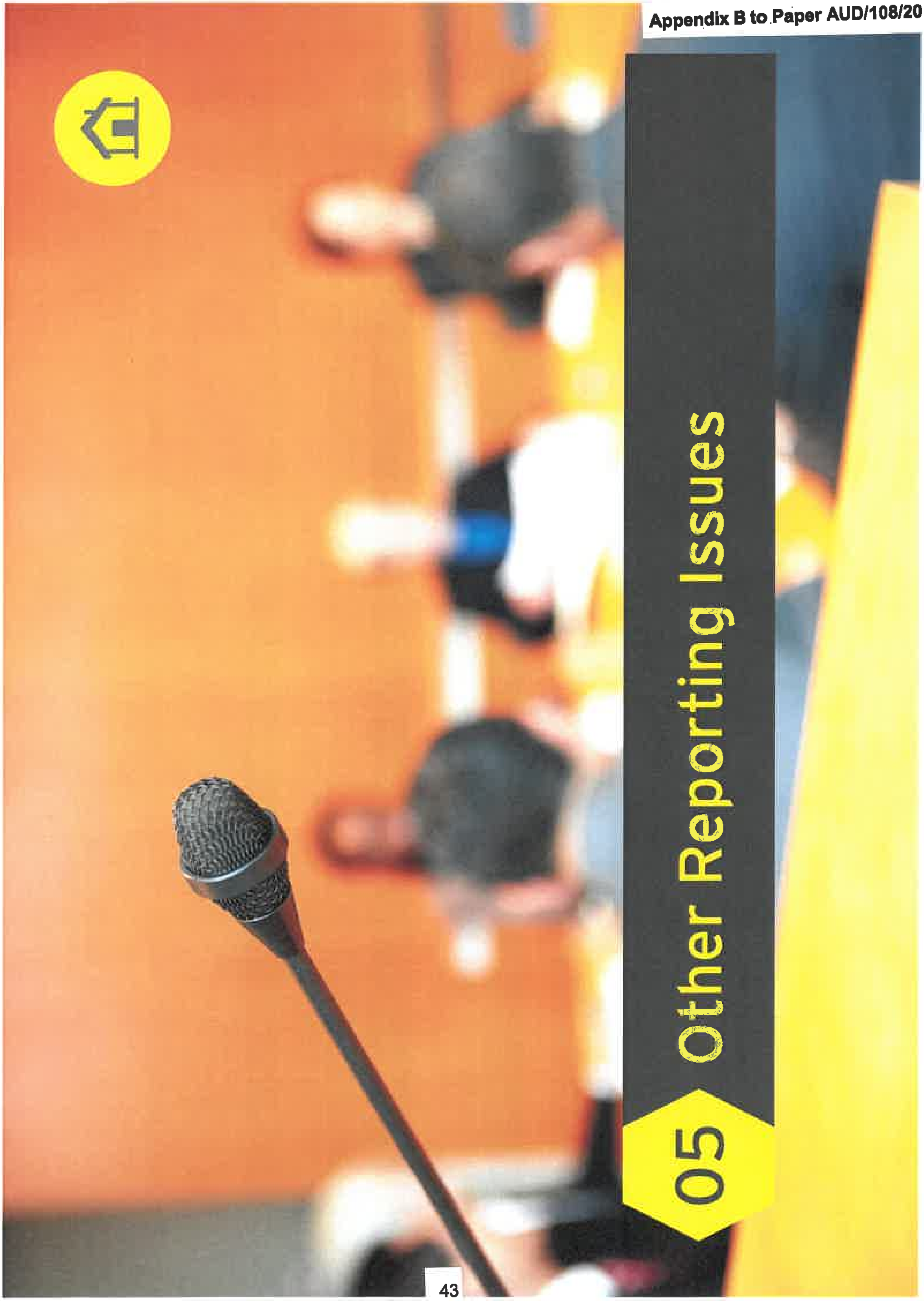
What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Delivery of a robust Medium Term Financial Plan	Deploy resources in a sustainable manner	We performed the following: • assessed the key assumptions made within the annual budget and the MTFP; • reviewed the progress made in identifying savings for 2019/20 and beyond; • commented on the extent of borrowing for investments and borrowing overall; • reviewed the funding strategy for realistic income targets. • reviewed the Authority's Capital Funding model and the impact of borrowing, if any, on the MTFP. We do not have any significant concerns and matters to report in relation to this risk.
Commercialisation decisions to generate income and maximise the return from assets	Take informed decisions Work with partners and other third parties	We reviewed the following: • underlying rationale for the proposed investments and clarity on how this sits with the Authority's strategy and objectives, including the consideration of options and alternatives; • legal powers and other advice obtained e.g. tax, investment decisions; • compliance with sections 46 and 47 of Statutory Guidance on Local Authority Investments and the Prudential Code; • clarity of governance arrangements for the Authority's decision making with regard to their regeneration and investment property decisions; • recognition and reporting of risks in the Corporate risk register; • robustness of assumptions from commercial developments in the Authority budget and medium term financial strategy; and • Authority's business planning process for undertaking commercial projects. We do not have any significant concerns and matters to report in relation to this risk.

Other matters to bring to your attention

Looking forward. Observations on where the Authority can secure continuous improvement in its arrangements.

Financial resilience:
The reliance on the annual revenue contribution is set to decrease, with an expectation that land sale receipts replacing this reduction. Whether this will continue in subsequent years is heavily dependent upon the success and valuation of land disposals. Should the Authority realise lower than expected land sale receipts, either the capital programme requirements will need to be reduced, alternative external financing sought (including borrowing) or greater reliance placed on the annual revenue contribution in order for the Authority to continue to act in a prudent, sustainable and affordable manner.

Commercialisation:
- The Authority should consider developing individual risk registers relating to major development projects.
- Whilst the Authority current has no significant borrowing commitments, this does not mean that it should not consider potential implications resulting from borrowing to deliver its medium to long term financial, treasury and capital strategy.



05 Other Reporting Issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the latest version of the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

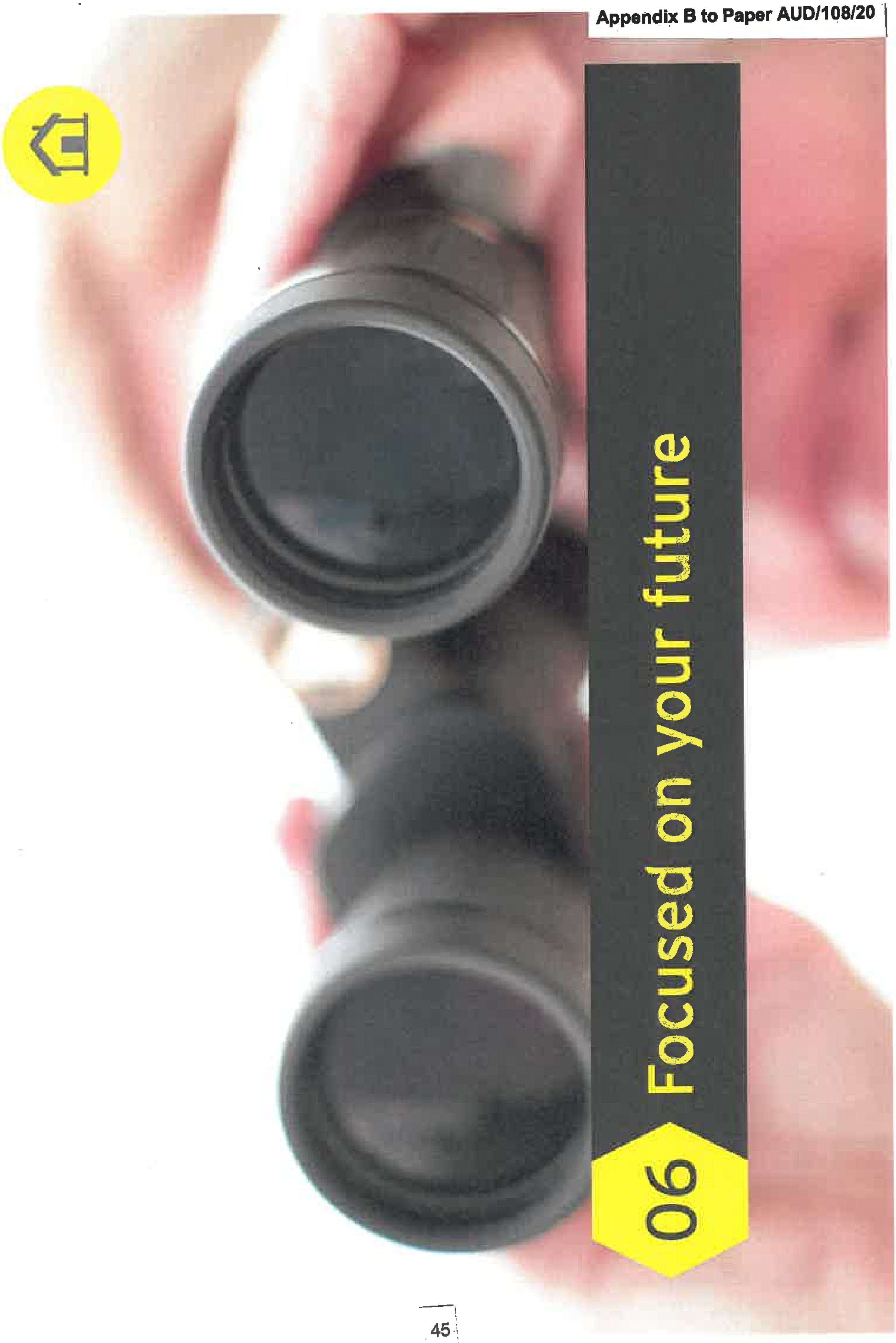
Whole of Government Accounts

The Authority is below the threshold for requiring audit procedures on its WGA submission.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



06 Focused on your future

Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.	Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. We have considered the Authority's implementation plan and preparedness for IFRS 16. The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16. However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.
IASB Conceptual Framework	The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year. This introduces; - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. The conceptual frameworks is not in itself an accounting standard. However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.	It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements. However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.

07 Audit Fees

Audit Fees

In our Annual Results Report presented to the Audit Committee on 19th September 2019 we highlighted that we had carried out additional work to complete the audit and would seek to agree an additional fee with the Authority's Section 151 officer. In the table below we summarise the fees that we have agreed and that are now subject to approval by PSAA.

	Final fee 2018/19	Final Fee 2017/18
	£	£
Code work – scale fee	14,337	18,619
Additional fee areas:*		
- Pension liability	1,053*	-
- EYRE	6,997*	-
- VFM	2,183*	
Total audit	35,570	18,619
Other non-audit services not covered above	-	-
Total other non-audit services	-	-
Total fees	24,569*	18,619

All fees exclude VAT

* We have performed additional work resulting in an additional audit fee which we will seek to agree with the Authority and PSAA. The additional work related to the EY Real Estates review of the DRC assets and the additional audit procedures in relation to McCloud and GMP judgements, as well as the asset position compared with the estimated position.. Furthermore, additional work was required as a result of the significant VfM risk.

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ED None

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