Lee Valley Regional Park Authority
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To: Linda Haysey (Chairman)
Ross Houston (Vice Chairman)
Malcolm Cowan
Gerry Lyons
John Knapman
Graham McAndrew
Simon Walsh

A meeting of the **AUDIT COMMITTEE** (Quorum – 3) will be held at these offices on:

THURSDAY, 23 FEBRUARY 2017 AT 12.30

at which the following business will be transacted:

AGENDA

1 To receive apologies for absence.

2 DECLARATION OF INTERESTS

Members are asked to consider whether or not they have disclosable pecuniary, other pecuniary or non-pecuniary interests in any item on this Agenda. Other pecuniary and non-pecuniary interests are a matter of judgement for each Member. (Declarations may also be made during the meeting if necessary.)

3 MINUTES OF LAST MEETING

To approve the Minutes of the meeting held on 22 September 2016 (copy herewith).

4 PUBLIC SPEAKING

To receive any representations from members of the public or representative of an organisation on an issue which is on the agenda of the meeting. Subject to the Chairman's discretion a total of 20 minutes will be allowed for public speaking and the presentation of petitions at each meeting.

5 ACCOUNTING POLICIES AND ACCOUNTS CLOSEDOWN TIMETABLE 2016/17 — Paper AUD/76/17

Presented by Simon Sheldon, Director of Finance & Resources

6 EXTERNAL AUDIT 2016/17 – AUDIT PLAN Paper AUD/75/17

Presented by Simon Sheldon, Director of Finance & Resources

7 RISK REGISTER 2016/17 Paper AUD/74/17

Presented by Simon Sheldon, Director of Finance & Resources

8 URGENT BUSINESS

Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency by reason of special circumstances to warrant consideration.

9 EXEMPT ITEMS

Consider passing a resolution based on the principles of Section 100A(4) of the Local Government Act 1972, excluding the public and press from the meeting for the items of business listed on Part II of the Agenda, on the grounds that they involve the likely disclosure of exempt information as defined in those sections of Part I of Schedule 12A of the Act specified beneath each item. (There are no items currently listed for consideration in Part II.)

15 February 2017

Shaun Dawson
Chief Executive

LEE VALLEY REGIONAL PARK AUTHORITY

AUDIT COMMITTEE MINUTES
22 SEPTEMBER 2016

Members Present:	Graham McAndrew (Chairman)	John Knapman
	Ross Houston	Mari Stevenson (Deputy for Linda Haysey)
	Gerry Lyons	

Apologies Received From: Malcolm Cowan, Linda Haysey

Officers Present:	Simon Sheldon	- Director of Finance & Resources
	Beryl Foster	- Director of Corporate Services
	Lindsey Johnson	- Committee Services Officer

Also present: Debbie Hanson – Ernst & Young

Part I

In the absence of the Chairman, Members agreed that Graham McAndrew should Chair this meeting.

104 DECLARATIONS OF INTEREST

There were no declarations of interest.

105 MINUTES OF LAST MEETING

THAT the minutes of the meeting held on 16 June 2016 be approved and signed.

106 PUBLIC SPEAKING

No requests from the public to speak or present petitions had been received for this meeting.

107 EXTERNAL AUDITORS' AUDIT RESULTS REPORT - 2015/16 ACCOUNTS Paper AUD/73/16

A copy of the External Auditors' Audit Results report was tabled.

Debbie Hanson introduced the External Auditors' Audit Results Report informing Members that Audit procedures were based on the Authority's 2014/15 gross expenditure. Due to the transfer of services to the Lee Valley Leisure Trust the Authority's expenses have been reduced, resulting in a reduction of £379,000. She also informed Members that there was a minor non-compliance by the Authority regarding the inspection period, which whilst being available for the required 30 days was a week late. She concluded by saying that they had not identified any issues which would prevent them from issuing an unqualified option on the Authority's financial statements.

A Member asked why management override was considered a significant risk. Debbie Hanson replied saying that management were in a unique position to manipulate the accounts, but that this was not a specific risk to the Authority and it was something that is mentioned in every audit report for all organisations.

(1) the External Auditors' Audit Results Report for the Authority's 2015/16 Financial Accounts was noted; and

(2) delegated authority to the Director of Finance & Resources in conjunction with the Chairman of the Audit Committee to approve any final amendments and to sign-off the 2015/16 Annual Accounts and the Letter of Representation was approved.

108 RISK REGISTER 2016/17 Paper AUD/72/16

The report was introduced by the Director of Finance & Resources.

The Chairman asked if SR3 should mention having enough officers to manage the Land & Property review. The Director of Finance & Resources responded, stating that he believed the Authority does have the resources to deal with this but that it could be added to the register.

Members queried whether the use of 'legacy' was still appropriate four years after the Olympics. The Director of Corporate Services responded, stating that many legacy obligations would be on-going for 21 years, but perhaps the register could be changed to 'London 2012 legacy'.

A Member pointed out that once the Land & Property review was under-way, it would need to be included on the risk register.

(1) the Authority's Strategic Risk Register attached as Appendix B to Paper AUD/72/16 was approved with the following amendments:

(a) the risk of not having sufficient officer resources to deal with the Land & Property review should be included in SR3; and

(b) the word 'legacy' should be replaced with 'London 2012 legacy'.

109 INTERNAL AUDIT AND ANTI-FRAUD FRAMEWORK

Members considered a letter from the London Borough of Croydon regarding the continuation of the framework. The Director of Finance & Resources recommended to Members that the Authority should continue with this agreement subject to the terms and conditions and prices remaining the same.

(1) Members agreed with officer recommendations to the continuation of the framework.

Chairman

Date

The meeting started at 1.35pm and ended at 1.57pm.

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **23 FEBRUARY 2017 AT 12.30**	**Agenda Item No:** **5** **Report No:** **AUD/76/17**

ACCOUNTING POLICIES AND ACCOUNTS CLOSEDOWN TIMETABLE 2016/17

Presented by the Director of Finance & Resources

SUMMARY

The Authority is required to close its Financial Accounts under the Accounting and Audit Regulations 2015 and this must be in accordance with International Financial Reporting Standards (IFRS). As part of the process Members are asked to approve the Accounting Policies and the Closedown Timetable for 2016/17.

RECOMMENDATIONS

Members Approve:	(1)	the Accounting Policies set out in Appendix A of this report;
	(2)	the Draft Closedown Timetable set out in Appendix B of this report; and
Members Note	(3)	the key judgements and assumptions set out in paragraphs 8 and 9 of this report.

BACKGROUND

1 Under the Accounting and Audit Regulations 2015, the Authority is required to close its Financial Accounts for 2016/17 by 30 June 2017. Accounting Policies (as set out in Appendix A of this report) are the guidelines, assumptions and underlying principles on which the information contained in the Financial Statements will be based. These Policies are prepared in accordance with CIPFA's (Chartered Institute of Public Finance & Accounting) Code of Practice on Local Authority Accounting (the Code).

A draft closedown timetable is attached at Appendix B to this report, which has been prepared for the timely completion of the year end accounts process.

REVIEW OF ACCOUNTING POLICIES

2 The Authority is required to consider any interests it may have in subsidiaries, associates and joint ventures and prepare group accounts where they have material interests under IFRS……

The Authority has reviewed its position with regards the relationship that exists between the Authority and the Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships) (the Trust), who have been running the majority of the leisure facilities since April 2015 and have concluded that a material interest does not exist, for the following key reasons:

- Control – the Authority has two appointments on the Trust Board who are also Members of the Authority. This constitutes just over 20% of the Board and therefore cannot be regarded as having a controlling influence.

- Policy and Financial decision making - All policies, budget setting, financial monitoring, tax and statutory returns and accounts closure policies for the Trust are decided by the Trust with no direct influence from the Authority. The existing contract specifies services to be delivered and a balance between commercial and community activities but the mechanism for delivery is at the sole discretion of the Trust.

- Materiality – The Trust has a major contract with the Authority with the Management Fee currently set at £2.9m from the overall levy of £10.1m which is less than 30% of the funding from taxpayers. This is scheduled to reduce to £1.5m by 2020 and will then represent nearer 15%. The question as to whether the Authority exerts indirect influence over the Trust due to the scale of the Management Fee is discounted on the following grounds:

  a) this is below a third of the Authority's levy and reducing; and
  b) in terms of business operation and activities the Trust has total discretion to deliver the outputs required of the contract in any way it chooses, enter into other third party contracts alongside the Authority's contract and generate its own income through charitable or trading activities.

3 Officers have continued to monitor whether a policy is required for the Carbon Reduction Commitment (CRC) scheme and the impact of Phase 3 of this scheme in 2018/19. This may require a change in accounting policies in future years.

4 The Accounting Policies for the financial year 2016/17 follow those adopted for 2015/16 under International Financial Reporting Standards (IFRS) with no other amendments than those already stated.

5 The Accounting Policies that will be included in the Financial Statements are shown in Appendix A to this report.

CLOSEDOWN TIMETABLE 2016/17

6 The Authority has set itself an ambitious but achievable timetable for closedown. The detailed tasks and deadlines for closedown are set out at Appendix B to this report. The key dates for Members to note are:

- 23 February 2017 External Audit Plan and accounting Policies and timetable approved;
- 27 February 2017 commencement for the interim audit;
- 5 June 2017 the provisional commencement for the final accounts audit;
- 22 June 2017 for the sign-off of the draft set of accounts;

- 22 June 2017 for presentation of any Interim Audit findings;
- 29 June 2017 provisional conclusion of the audit (under discussion);
- 30 June 2017 statutory deadline for production of the accounts;
- 30 September 2017 for the publication of the accounts.

ACCOUNTING JUDGEMENTS AND ASSUMPTIONS

7 A key part of the year end closure process is to make clear any material judgements and assumptions made as part of the finalisation of the Accounts. Officers have made two assumptions/judgements that Members should note and these are detailed in the following paragraphs.

8 Members of the Authority decided in February 2014 (Paper A/4181/14) that the main operational facilities should be run by a charitable trust. In addition it agreed in April 2014 (Paper A/4182/14) that additional non-sporting venues should also be transferred to the Trust. The contract with the Trust commenced on 1 April 2015. The Authority has reviewed its accounting policies (as set out in paragraph 2 above) with regards to any material interest it may have in the Trust and the possible requirement to produce group accounts. The main considerations relate to whether the Authority has direct power to control the operations and activities of the Trust. It can be demonstrated under IFRS10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, as well as the Companies Act 2006 and both the Charities and CIPFA SORP that this is not the case, and therefore group accounts do not need to be prepared.

The Trust will produce their own set of accounting policies, assumptions, judgements, and statements in line with the relevant accounting guidelines for charities.

9 The Authority is not required to complete a valuation of its Transport Infrastructure Assets (TIA) for the 2016/17 accounts. Accounting for Transport Infrastructure Assets will only apply to Highway Authorities in relation to public highways. A significant part of the Authority assets are contained within enclosed spaces such as River Lee Country Park.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

11 The fee proposed by the External Auditor is £18,620 and can be met from the existing budget. Additional costs relating to valuations of TIA may accrue but it is the intention to contain this cost within existing consultancy budgets.

HUMAN RESOURCE IMPLICATIONS

12 There are no human resource implications arising directly from the recommendations in this report. However additional officer time is required to establish the TIA requirements.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

14 There is a small risk, subject to the risks identified in the external auditors plan that the external auditor may require additional time to complete their work and result in increased audit fees that are not currently budgeted for. To mitigate this risk officers will continue to maintain ongoing dialogue with the Auditor and ensure that the information provided meets with their expectation to minimise the potential for extra audit work as well as comply with the timetable as set out in this report.

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APPENDICES ATTACHED

Appendix A	Full Accounting Policies
Appendix B	Closedown Timetable

LIST OF ABBREVIATIONS

IFRS	International Financial Reporting Standards
CIPFA	Chartered Institute of Public Finance & Accounting
CRC	Carbon Reduction Commitment
TIA	Transport Infrastructure Assets
the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain assets.

Heritage Assets

Heritage assets are assets are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Provided that they meet this definition, heritage assets can include historic buildings, civic regalia, museum collections and works of art.

There is no carrying amount of assets on the Balance Sheet that will be reclassified as heritage assets. The Authority has a number of assets that were considered to fall under the definition of heritage assets that following review will continue to be classified as detailed below:

- Rye House Gatehouse, (Operational Asset)
- Monastic walls at Abbey gardens (Community Asset)
- The Old Mill at Broxbourne Meadows (Community Asset)

Accruals of expenditure and income

- Figures shown in the financial statements are based on the accruals concept, i.e. that income or expenditure is included in the year to which it relates irrespective of whether the authority has actually received the income or incurred the expenditure.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours (deposits held at call) and bank overdrafts. Cash equivalents are short term, highly liquid investments with maturities of 3 months or less at acquisition, that are readily convertible to known amounts of cash. Cash equivalents are held to meet short term liquidity requirements and have an insignificant risk of changing value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Contingent assets

Contingent assets are possible assets which arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Authority's control.

In accordance with the Code, they are not recognised in the accounts, rather they are disclosed as a note to the accounts where the inflow of economic benefits or service potential is probable and can be reliably measured. Contingent assets are continually assessed to determine their position.

Contingent liabilities

Contingent liabilities are either:

a) Possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Authority's control, or

b) Present obligations arising from past events, but is not recognised because:

- It is not probable that a transfer of economic benefits will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

In accordance with the Code, material contingent liabilities are not recognised within the accounts as an item of expenditure, rather, they are disclosed as a note to the accounting statements. Contingent liabilities are subject to a continual assessment to determine their position.

Employee benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

The code requires the Authority to make an accrual in its accounts at year end for any annual leave and flexible working entitlement earned but not taken by employees at the end of the financial year – to the extent that employees are permitted to carry forward annual leave and flexitime to the following year.

The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Pension costs

The Authority participates in one scheme, the Local Government Superannuation Scheme, which is a defined benefit final salary scheme administered by the London Pension Fund Authority (LPFA). The LPFA is designated an 'administering authority' within the Local Government Superannuation Regulations 1995. The LPFA maintains the fund and administers the terms of the scheme in respect of those who participate in it. The employers contributions is set by the Fund's actuary based on three-yearly actuarial valuations.

The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into the following components:

Service cost

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs

- interest cost – net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement

Remeasurements

- the return on plan assets – the annual investment return on the fund assets attributable to the Authority, excluding amounts included in net interest on the net defined liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the pensions reserve as other comprehensive income and expenditure

Contributions

- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Events after the balance sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional items

Where material income or expenditure transactions have occurred during the financial year their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior period adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Financial instruments

Financial liabilities are recognised on the balance sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on carrying amount of the liability, multiplied by the effective rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the borrowing to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of repurchase or settlement.

Financial assets are recognised when the Authority becomes party to the financial instrument contract. Financial assets are classified into two types:

a. Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments which are not quoted in the active market. After initial recognition at fair value, they are measured at amortised cost using the effective interest method. For most of the loans that the Authority has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest); and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

When a soft loan is made, a loss is recorded in the comprehensive income and expenditure statement for the present value of interest that will be foregone over the life of the instrument. A soft loan is a loan made at less than market rates. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the comprehensive income and expenditure statement to the net gain required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

b. Available for sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Government grants and other contributions

Under International Financial Reporting Standards, all such grants are to be treated as revenue income as soon as any conditions relating to the grant have been met. Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Inventories

The Authority values stock and stores at the lower of actual costs and net realisable value, after allowing for obsolescent items. Operational facilities count their shop and café stocks then value them at historic cost price.

Investment properties

Under the Code, an investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Authority's services.

Investment properties are initially measured at cost and thereafter at market value.

Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

Leases

Leases can be classified as either finance or operating leases. If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form.

For assets leased under a finance lease, a debtor or creditor should be recognised at the lower of fair value of the asset and present value of the minimum lease payments as appropriate and the annual payments consist of an amount of interest plus an amount to clear the relevant debtor or creditor.

Leases that do not meet the definition of finance leases are accounted for as operating leases and the income or expenditure is either credited, or charged to, service revenue accounts on a straight-line basis over the term of the lease.

Under the Code, the land and buildings elements of a lease of land and buildings require separate identification for both lease classification and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

a. **The Authority as Lessee**

Finance Lease

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise the levy to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a rent-free period at the commencement of the lease).

b. The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Non-current assets held for sale

The following criteria have to be met before an asset can be classified as held for sale under this section of the code:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).

- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.

- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Authority generally applies a de-minimus level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimus level , but the aggregate value of similar items purchased in the year exceed the de-minimus level the expenditure may be treated as capital expenditure.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) is capitalised on the accruals basis in the accounts, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS.

The capital value of any work the Authority undertakes on towpaths is included in the balance sheet as an asset, even though the Authority does not usually own them. Agreements are in place with British Waterways, which allow public access to the towpaths and continuing use of the related facilities.

Surpluses arising on the initial valuation of non-current assets are credited to the revaluation reserve. PPE are re-valued every five years, but adjustments to the valuations are made in the interim to take account of significant changes as they occur. This year a partial revaluation has been commissioned and is reflected in these statements.

Capital expenditure that does not result in the acquisition of an asset is classified as 'revenue expenditure funded from capital under statute (formally deferred charges), and is written out to revenue in the year in which it is incurred.

The Authority accounts for its income from the disposal of PPE on an accruals basis. It is held in a usable capital receipts reserve that can be used to finance new capital expenditure.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cashflows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they a re-reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement..

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The Authority has assets that are identified as specialised. These include:

- Lee Valley Ice Centre – an ice rink, with ancillary facilities; a steel frame building, clad in corrugated sheeting; and
- Rye House Gatehouse – a listed ancient monument, constructed in 1443, which the Authority uses as a museum.
- Lee Valley Velodrome – the London 2012 Olympic Velodrome
- Lee Valley White Water Centre - the London 2012 Olympic White Water Centre
- Lee Valley Athletics Centre - the pre-Olympic elite athletes indoor/outdoor training centre.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.
Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Component accounting

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the White Water Centre are made up of separate elements that have different useful lives.

There has been no requirement to apply these changes retrospectively and instead components are recognised separately as and when they are replaced.

Depreciation and useful economic life

Depreciation is provided for on the 'building' element of all non-current assets with a finite useful life, except investment and community assets. We calculate it using the reducing balance method.

Non-current assets are not depreciated in the year of acquisition.

PPE have a useful economic life, which is determined by the class of asset. Depreciation is calculated on this life except in the case of investment properties that are not depreciated.

Asset class	Useful economic life
Land and buildings	5 - 60 years
Vehicles, plant and machinery	5 -15 years
Infrastructure assets	10 - 40 years
Community assets	n/a

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise its levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (England and Wales)).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or loans fund principal), by way of an adjusting transaction within the Capital Adjustment Account and in the Movement in Reserves Statement for the difference between the two.

Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of Property, Plant and Equipment has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. It is the Authority's policy to write off the value of revenue expenditure funded from capital under statute to services and reflect them in the comprehensive income and expenditure statement in the year they arise. The movement in reserves statement will then reflect a transfer from the general fund balance to the capital adjustment account so that there is no impact on the levy.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Reserves

The current system of local authority capital accounting requires three capital reserve accounts to be set up in the balance sheet:

- The revaluation reserve records the accumulated gains on the non current assets held by the authority arising from increases in value as a result of inflation or other factors.
- Capital adjustment account shows amounts set aside from revenue resources or capital receipts to finance expenditure on PPE or the repayment of external loans and certain other capital financing transactions.
- The usable capital receipts reserve, which contains the unused proceeds arising from disposing of assets that can be used to finance future capital expenditure.
- The Authority also has a capital fund, financed from contributions from the general fund, which can be used to finance future capital expenditure

Amounts appropriated to/from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

Earmarked revenue reserves

The Authority maintains renewal and repairs funds to replace equipment and for ongoing repairs to buildings or structures that we cannot fund in one year from service revenue budgets.

An insurance fund is maintained to self-insure certain risks. An example is storm damage to trees. The fund is also typically used to pay insurance policy excesses for claims against us by third parties. The services are charged with the any excess or claim and we adjust the fund balance by a transfer to or from the general fund.

Value added tax

The figures in the statements are net of VAT.

Provision for bad & doubtful debts

All amounts outstanding on the sales ledger are reviewed to establish the likelihood of their recovery. Where debt is proving to be difficult to recover we create a provision for it. If that debt is then paid the provision is reversed, should the debt ultimately prove irrecoverable it will be written off against the provision.

Biological Assets

Under IAS41 Agriculture, living animals or plants are classified as biological assets, and agricultural produce is the harvested product of the entity's biological asset. A biological asset, or an item of agricultural produce, is classified as an asset when it is both controlled by, and future economic benefit will flow to, an entity, and that its fair value can be measured reliably.

The Authority operates a working dairy farm, with its dairy cattle classified as biological assets, and the milk produced as agricultural produce.

The Authority uses an independent specialist agricultural stock valuer to establish the values its biological assets at the balance sheet date using the fair value method as and active market exists and a value can be reliably measured. Changes in the fair value are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account.

Group Accounts

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

From 1 April 2015, the Authority entered into a Leisure Services Contract with the Lee Valley Leisure Trust Limited (Vibrant Partnerships) to run the main leisure facilities owned by the Authority. Whilst the Authority is able to appoint up to three members to the board of the Trust, it does not have direct power to influence the operations and activities of the Trust. Therefore, the Authority has determined that it has no interests in subsidiaries, associates or joint ventures of a material nature, and is not required to prepare group accounts.

Appendix B to Paper AUD/76/17

Target Date	Task	Contact	Contact2	Completed	Comments
12/01/2017	Draft Instructions issued to Valuers	SR		12/01/2017	
30/01/2017	Meeting with Ernst & Young (Authority Auditor)	SS	EY	30/01/2017	
31/01/2017	Review Financial Statements Templates	KK		13/01/2017	
	Review Guidance Notes	KK		13/01/2017	
01/02/2017	Authority Final Accounts Meeting	SS/KK/MK		01/02/2017	Timetable / Timelines
08/02/2017	Capital Outturn P10/2017	KK/MK		08/02/2017	
	Revenue Outturn P10/2017	KK/MK		08/02/2017	
09/02/2017	Final Accounts Workshop	SS/KK	EY	09/02/2017	More Place, London
13/02/2017	Issue Instruction to Pension Valuers	SS		06/02/2017	
15/02/2017	Authority Final Accounts Meeting	SS/KK/MK		15/02/2017	
	Review Accounting Policies and Assumptions	SS/KK		15/02/2017	
22/02/2017	Authority Final Accounts Meeting	SS/KK/MK		22/02/2017	
23/02/2017	Audit Committee (Authority)	SS			Accounting Policies & Assumptions
	Executive Committee (Authority)	SS			Q3 Revenue Outturn
24/02/2017	Set Up Closedown File	KK/MK			
	Update Financial Statements for new Expenditure & Funding Analysis Statement	KK		15/02/2017	Initial template format created
27/02/2017	Interim Audit (Authority)	SS/KK/MK	EY		Walk Through Testing
28/02/2017	Interim Audit (Authority)	SS/KK/MK	EY		Walk Through Testing
01/03/2017	Authority Final Accounts Meeting	SS/KK/MK			
	Interim Audit (Authority)	SS/KK/MK	EY		Walk Through Testing
02/03/2017	Interim Audit (Authority)	SS/KK/MK	EY		Walk Through Testing
03/03/2017	Circulate Members Declarations	SB			
	Circulate Related Party Transactions memo	SB			
	Interim Audit (Authority)	SS/KK/MK	EY		Walk Through Testing
	Issue Cash & Imprest Certificates to centres	MK			
	Issue Guidance Procedures for Financial Year End	KK/MK/SS			
	Issue Guidance Procedures for New Year	KK/MK/SS			
	Update for EFA notes and revisions to MIRS	KK			
05/03/2017	Deadline for receipt of all Creditor/Debtor/PIA/RIA Sheets	All			
08/03/2017	Authority Final Accounts Meeting	SS/KK/MK			
	Capital Outturn P11/2017	KK/MK			
	Revenue Outturn P11/2017	KK/MK			
15/03/2017	Authority Final Accounts Meeting	SS/KK/MK			
	Review of SLA Overhead Apportionment	KK			
	Write off Meeting	KK/SS/LR/MK/JP			
22/03/2017	Minutes of Write off Meeting	LR			
23/03/2017	Executive Committee (Authority)	SS			
31/03/2017	Aged Creditors listing produced	JS/DR			
	Aged Debtors listing produced	JP/TG			
	Cashing Up at centres	Venues			
	Insurance Suspense Cleared [999 6861]	KK/LR			
	Provision for Bad Debts posted	MK			
	Return of Holiday Statements	All Employees			
	Review Finance Leases	KK		16/01/2017	
	Service Tenancies charged to services	SR			
	Stock Takes completed	Venues			
01/04/2017	Fixed Assets Impairment Review	SR	ME		
03/04/2017	Interim Audit (Authority)	SS/KK/MK	EY		Initial Transaction Testing
04/04/2017	Interim Audit (Authority)	SS/KK/MK	EY		Initial Transaction Testing
05/04/2017	Capital Outturn P12/2017	KK/MK			
	Interim Audit (Authority)	SS/KK/MK	EY		Initial Transaction Testing
	Revenue Outturn P12/2017	KK/MK			May delay as PE 26/3 so to include 31/3
06/04/2017	Interim Audit (Authority)	SS/KK/MK	EY		Initial Transaction Testing
07/04/2017	All notified Debtors by 31/03 Raised on Sales Ledger	JP/TG			
	All other deposits reconciled	JP			
	All Weekly Returns Posted to Old Year	JS/TG			
	Cash balances at 31 Mar agreed and reconciled	MK			
	Insurance Fund Reconciled	KK			
	Interest accrual - Investments	KK			
	Interim Audit (Authority)	SS/KK/MK	EY		Initial Transaction Testing
	Key Deposits reconciled	JP			
	Last day for invoices (M12) on Payments System	JS/DR			
	Livery Deposits reconciled	JP			
	Mooring Deposits reconciled	JP			
	Petty Cash Returns Posted	DR			
	Purchase Ledger Creditors Reconciled	JS			
	Review Outstanding Orders Listings	Venues			
	Stock Adjustments Posted	MK			
	Stock Takes completed and returns received	Venues/MK			
14/04/2017	All Creditors Reviewed	KK			
	All Debtors Reviewed	KK			
	All PIA Reviewed	KK			
	All RIA Reviewed	KK			
	Capital Fund Reconciled	KK			
	Contr in lieu Interest put to Funds	KK			
	Deadline for input of all Creditor Sheets	MK			
	Inland revenue payment, Payroll	LR			
	PAYE and NI suspense cleared	LR			

APPENDIX B

Target Date	Task	Contact	Contact2	Completed	Comments
14/04/2017	Payroll P35 Agreed	LR			
	Renewals Fund Reconciled	KK			
	Repairs Fund Reconciled	KK			
	Review Pension Valuation From Actuaries	SS/KK			
	Superannuation reconciled	LR			
21/04/2017	Common Services - Agree account and divide charges	KK			
27/04/2017	Authority (Authority)	SS			Write Offs
	Executive Committee (Authority)	SS			
	Members Declarations Returned	SB			
	Posting of Employee Benefits c/fwd	KK			
	Write Offs to Committee Approved - Authority	SS/Members			
28/04/2017	Confirm all Pd 12, 13, 01 payments in correct year	JS/MK/KK			
	Debt W/o on System	MK			
01/05/2017	Draft Period 13 Reports circulated	KK/MK			
	VAT Patial Exemption Calculation	KK/DR			
	VAT Return complete, and Accounts Reconciled	KK/DR			
05/05/2017	Post Pension Transactions	KK			
	Provisional Treasury Management Review (Draft)	SS/KK			
	Review of Overhead Apportionment				tbc - this 's not no required for Financial Statements
08/05/2017	Interim Provisional Outturn to MT	KK/MK			
12/05/2017	All Revenue Accounts checked	KK			
	Non Current Assets Reconciled	KK			
	Post Impairments to Non Current Assets	KK			
	Post Revaluations to Non Current Assets	KK			
	Production of Pension Note	KK			
	Provisional Outturn Capital Report (Draft)	KK/SS			
	Provisional Outturn Revenue Report (Draft)	KK/SS			
	Run and Post Depreciation	KK			
17/05/2017	Review Draft Figures for MT	KK/SS			
19/05/2017	Agree all closing/opening balances	KK/SS/MK			
	Data Analytics to E&Y	KK			Pending audit date
	Explantory Foreword	KK			This is the final draft version
	Glossary	KK			This is the final draft version
	Production of Core Statements	KK			This is the final draft version
	Production of Supporting Notes	KK			This is the final draft version
	Variance Analysis report	KK			This is the final draft version
25/05/2017	Executive Committee (Authority)	SS			Q4 Revenue Outturn
31/05/2017	Management Review of Working Papers	SS			
02/06/2017	Covering Final Accounts Report	SS			
05/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
06/06/2017	Reports to Audit Committee	SS			
	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
07/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
08/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
09/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
12/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
13/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
14/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
15/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
16/06/2017	Final Accounts Audit (Authority) - PROVISIONAL TBC	SS/KK/MK	EY		Provisional TBC
22/06/2017	Audit Committee (Authority)	SS			Unaudited Final Accounts
	Executive Committee (Authority)	SS			
29/06/2017	Conclusion of Authority audit & issue of Audit Report - TBC		EY		
30/06/2017	Statutory Deadline for Accounts Production				Unaudited Financial Statements
20/07/2017	Review of chart of accounts and user access	KK/MK/NF/DA			
21/09/2017	Audit Committee (Authority)	SS			Audited Final Accounts/Audit Report
30/09/2017	Statutory Deadline for Publication of Fnancial Statements				Audited Financial Statements

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **23 FEBRUARY 2017 AT 12:30**	**Agenda Item No:** **6** **Report No:** **AUD/75/17**

EXTERNAL AUDIT 2016/17 - AUDIT PLAN

Presented by the Director of Finance & Resources

SUMMARY

As part of the 2016/17 audit, the Authority's external auditors (Ernst & Young) undertake an interim audit and produce a Plan to cover the end of year audit 2016/17. The full 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 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 is assessed as £379,000 based on 2% of the Authority's gross revenue expenditure and the auditor will communicate uncorrected audit misstatements greater than £18,900 to this Committee.

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

The Plan sets out the fee for 2016/17 (£18,619) and this is the same as 2015/16.

RECOMMENDATIONS

Members Note:

(1) the External Auditors' Audit Plan for 2016/17 attached at Appendix A to this report; and

(2) the proposed annual audit fee for 2016/17 as set out in Appendix A, page 12 of their 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 Auditors' conclusions are reported in their Annual Audit Letter 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 Preceding this, preliminary audit work is carried out to assess the Authority's arrangements for ensuring the proper conduct of its financial affairs. The auditor has provided for this within their Plan to the Audit Committee attached at Appendix A to this report.

AUDIT PLAN 2016/17

3 The Audit Plan for 2016/17 is attached at Appendix A to this report. The Auditors will commence their interim work next week and this will be reported as part of the Annual Audit Results Report.

4 The proposed fee for 2016/17 is £18,619 which is the same as the 2015/16 fee. However, the proposed fee may not cover for the specific audit risks identified in section 2 (page 2) of the Plan which highlights potential risks that may impact upon the completion of the annual audit.

5 In addition to the Plan the external auditors have provided an Audit Committee brief highlighting the main issues facing local government and identifying key questions for the Audit Committee to consider. This is attached at Appendix B to this report for information.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

8 The fee to be charged by the External Auditor in 2016/17 is £18,619 and is the same as that set for 2015/16.

9 This fee estimate does not include for any additional costs resulting from the specific audit risks identified in section 2 (page 2) of 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 the Executive Committee as part of the regular revenue budget monitoring.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

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PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/73/16	External Auditor's Audit Results Report – 2015/16 Accounts	22 September 2016

APPENDICES ATTACHED

Appendix A	Audit Plan 2016/17
Appendix B	Local Government Audit Committee Briefing

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Lee Valley Regional Park Authority

Year ending 31 March 2017

Audit Plan

February 2017

Ernst & Young LLP

Building a better working world

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Building a better working world

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

14 February 2017

Dear Committee Members

Audit Plan

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 2016/17 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 and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 23 February 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson
For and behalf of Ernst & Young LLP
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Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "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).

The 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 from 1 April 2015' issued by PSAA sets 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 Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. 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.

1. Overview

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 2017 and of the income and expenditure for the year then ended;
- 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 Authority'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.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Authority, identified through our knowledge of the Authority's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue recognition	
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. For the Authority, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition. We will undertake specific testing to address this risk.	We will ▸ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.
Risk of management override	
As identified in ISA (UK and Ireland) 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 otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: ▸ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ▸ Reviewing accounting estimates for evidence of management bias, and ▸ Evaluating the business rationale for significant unusual transactions

Other financial statement risks	
CIPFA Code Changes	
Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements. The Code no longer requires statements or notes to be prepared in accordance with the CIPFA Service Reporting Code of Practice (SeRCoP). Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Authority's segmental analysis. This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.	Our Approach will focus on: ▸ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code ▸ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Authority's organisational structure and how overheads are apportioned across the service areas reported. ▸ Agreement of restated comparative figures back to the Authority's segmental analysis and supporting working papers.

Group Accounts	
In April 2015 the Authority established the Lee Valley Leisure Trust to run 14 of the Authority's main leisure facilities under the terms of a Leisure Services contract. In 2015/16 the Authority concluded that the nature of the arrangement with the Lee Valley Leisure Trust did not require it to prepare group accounts. The assessment of whether group accounts should be prepared needs to be undertaken on an annual basis, covering both quantities and qualitative factors.	We will ▶ Review the Authority's assessment of whether group accounts are required in 2016/17, focussing on guidance within International Financial Reporting Standards 10 and 11, and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- Identifying fraud risks during the planning stages;
- Enquiry of management about risks of fraud and the controls to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- Determining an appropriate strategy to address any identified risks of fraud, and,
- Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

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. For 2016-17 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.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines 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 sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment considers both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.

At this stage we have not yet completed our detailed risk assessment in relation to our value for money conclusion and therefore we have not identified any significant risks. Should this assessment change, we will issue an update to our audit plan. At this stage, we expect the focus of our work to be the effectiveness of the governance and procurement arrangements established in relation to the significant developments expected to the leisure facilities currently operated by the Authority in the medium to long term, including the redevelopment of the Lee Valley Ice Centre, and the future management of Picketts Lock.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's:

- Financial statements.
- 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 and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require; and
- Give a separate opinion on the part of the Authority's financial statements that relates to the accounts of the pension fund;

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

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.

4.2 Audit process overview

Processes

Our intention is to undertake a fully substantive audit. We believe this to be the most efficient approach to gaining assurance over the transactions and balances reported in the Council's financial statements. We will also review the overall control environment established by the Council, and the evidence we obtain from this review will form the basis of our review of the Council's Annual Governance Statement.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. We will request from you general ledger data at the year end to support testing. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests.

- Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

We will 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 we raise issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	Barnet Waddingham (the Authority's Actuary) PwC review of the work of local government actuaries (including Barnet Waddingham), commissioned by the NAO EY pensions team review of the PwC report
Asset valuations	Montagu Evans (the Authority's property valuers) Kite Consultancy (the Authority's valuer for biological assets)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source date is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must 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;
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Authority is £379,000. This is calculated on the basis of 2% of the Authority's gross expenditure. We will communicate uncorrected audit misstatements greater than £18,900 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. 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 NAO Code. The indicative fee scale for the audit of Lee Valley Regional Park Authority is £18,619.

4.6 Your audit team

The engagement team is led by Debbie Hanson. Debbie has significant local government experience, and is the engagement lead for a number of EY's government and public sector audits across the east of England. Debbie is supported by Stephen Bladen who is responsible for the day-to-day direction of audit work and is the key point of contact for the Authority's finance team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Authority through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Authority and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	April 2016		Audit Fee Letter
Risk assessment, setting of scope, and testing routine processes and controls	January – February 2017	February 2017	Audit Plan
Early substantive testing	April 2017	June 2017	We will report by exception if there are any significant matters arising at this stage of our audit
Year-end audit	September 2017		
Completion of audit	September 2017	September 2017	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and overall value for money conclusion) Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return
Conclusion of reporting	October 2017	February 2018	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 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 on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during 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 EY including consideration of all relationships between 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.	▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, 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 we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, 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 contracted services, and details of any written proposal to provide non-audit services.

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 are disclosed, analysed in appropriate categories.

5.2 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 any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; 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 the Authority.

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 on behalf of the Authority and, where we do, we will comply with the policies that the Authority has approved and that are in compliance with PSAA Terms of Appointment.

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 the Authority. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 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 other 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 your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

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

Other threats

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

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

Overall Assessment

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

5.3 Other required communications

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 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 ended June 2016 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £
Opinion Audit and VFM Conclusion	18,619	18,619	18,619
Total Audit Fee – Code work	18,619	18,619	18,619

All fees exclude VAT.

The agreed fee presented above 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 Authority; and
- The Authority 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.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	▶ Audit Plan
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
Misstatements ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant	▶ Audit Results Report
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
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
External confirmations ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	▶ Audit Results Report
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 Committee may be aware of	▶ Audit Results Report

UK required communications with those charged with governance

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director'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 Plan ▶ Audit Results Report
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
Significant deficiencies in internal controls identified during the audit	▶ Audit Results Report
Fee Information ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit	▶ Audit Plan ▶ Audit Results Report Annual Audit Letter if considered necessary

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Ernst & Young LLP

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Local government audit committee briefing

Contents at a glance

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.

EY

Building a better working world

Government and economic news

EY item club winter forecast

In its latest forecast the EY Item Club cautions that, whilst it may look like the economy is taking the referendum in its stride, the impression could be deceptive. A timely reminder that trouble may lie ahead is provided by Sterling's recent performance.

The UK economy is forecast to undergo a gradual dip and recovery over the coming four years, with GDP growth slowing to 1.3% in 2017 and just 1.0% next year, before picking up to 1.4% in 2019 and 1.8% in 2020. The ability of the economy to deliver against this forecast is seen as highly dependent on its foreign trade performance, the expectation is that this will improve this year as consumer spending slows down.

In terms of inflation as measured by the Consumer Prices Index it is expected to rise in excess of 3% by the end of 2017, before falling back towards the Bank of England's 2.0% target in 2018. With the economy slowing down and wage inflation remaining subdued, the forecast is that base interest rates will be held at 0.25% by the Monetary Policy Committee until the spring of 2018.

Looking ahead, the UK's trade performance and output growth in 2019 and beyond will depend critically on the exit terms that can be agreed with the EU27 and other countries. Whilst there is greater clarity about the UK's negotiating position, elections coming up later this year in several European countries mean that the negotiating position of the EU27 will take longer to get a clear picture of. Additionally, the US election result complicates Britain's exit from the EU due to uncertainty over the US economic and foreign policy.

Social Care Precept and New Homes Bonus

The 'Provisional local government finance settlement 2017/18' announced that an additional £900mn would be used to fund the social care system over the next two years. This will be made up of two parts:

- £240mn transfer from the new homes bonus
- £652mn from increasing the social care precept (£208mn in 2017/18 and £444mn in 2018/19)

New Homes Bonus

The consultation for the new homes bonus ended and the Government made a number of revisions to the grant. The transfer from the new homes bonus represents a change that ensures that councils will only receive funding for housing built above the national housing growth baseline of 0.4%. There will also be a movement to five year payments from 2017/18 and four year payments from 2018/19.

There are no proposals to withhold grants for those authorities without a local plan in 2017/18 but this will be revisited for 2018/19. The bonus will continue to be unringfenced as in previous years.

Social Care Precept

Councils will have the flexibility to increase the dedicated social care precept by up to 3% in 2017/18 and 2018/19 (this was previously capped at 2% for each of the three years 2017/18 to 2019/20). If this is chosen it will be equivalent to an increase of £1 a month on an average Band D Council Tax bill. However the social care precept would need to remain at 6% over the next three years, therefore if the increased 3% was taken in 2017/18 and 2018/19 it could not be increased again in the following year.

Within the 'Provisional local government finance settlement 2017/18' it has been highlighted that increased funding is not the only way to improve social care but better integration of the health service and local government is needed. In Oxfordshire this has led to a 40% fall in delayed discharges in 6 months and in Northumberland increased work between the council and the health service has led to a 12% reduction in demand on residential care.

Local Government Funding Settlement

The four year funding settlement has been agreed to by 97% of councils. This will mean councils will have £7.6bn in total dedicated social care funding over the four years up to 2019/20. In return they will have to publish efficiency plans online.

It is expected that top-tier authorities are likely to benefit most from the settlement as they have high-demand critical services and will therefore receive more funding. However district councils will see a greater squeeze on their budgets due to the reduction in the new homes bonus.

This comes as a step towards devolution. The introduction of fully retained business rates will also bring about more power for councils to serve their local communities. However this does open councils up to more risk. For this to be beneficial the economy will need to grow and more houses will need to be built. Councils therefore need to think about how they will ensure that this does not leave them in a worse position than through central government funding.

Funding for new care model vanguards

In order to support and spread the work of new care model vanguard projects, NHS England has announced over £100mn of funding being made available. NHS England sees that the existing vanguards, partnerships of NHS, local government, voluntary, community and other organisations are improving the healthcare people receive, preventing ill health, and saving funds.

They are seen as key to the delivery of Sustainability and Transformation Plans (STPs) which are being developed across the country and, in addition to funding, the vanguards receive support to implement their plans from both NHS England and other national bodies. This includes how they harness new technology including apps and shared computer systems, and to develop their workforce so that it is focused around patients and their local populations. Vanguards are required to meet a number of conditions to obtain funding, including:

- Demonstrating clear improvements in quality and costs/savings
- Spreading their new care models, both within their STP and sharing with others (including producing guidance and materials for others to use)

The announcement highlights examples of areas the latest funding will be used on, and examples of work done to date. These include:

- **Fylde Coast Local Health Economy vanguard** – a new 'extensive care service' bringing together different health professionals offering targeted support for older patients with multiple conditions, this has contributed to significant reductions in areas such as non-elective admissions (25%) and A&E attendances (13%)
- **Mid Nottinghamshire Better Together vanguard** – joined-up community teams are working with patients and their families/carers, providing physical, mental and social care support to ensure people are wherever possible cared for at home. The vanguard has reported reductions in long term admissions to care homes and acute bed days, together with significant year-on-year reductions in avoidable patient attendances (20.5% for patients aged 80 years and above compared to 2015/16)

- **East and North Hertfordshire Clinical Commissioning Group vanguard** – employing pharmacists to work with GPs, care home staff and other healthcare professionals to provide detailed medicine reviews for residents. Working with the care homes, the vanguard has already reviewed over 900 patients and the use of 8,000 medicines. Of these over 1,000 medicines have been stopped, including nearly 200 which could have increased the risk of falls. The estimated direct cost savings are in excess of £160,000

Financial Sustainability of Schools

The Department of Education has predicted that mainstream schools will have to find savings of £3bn (8%) by 2019/20. This is expected to come from efficiencies from the following:

- £1.3bn from better procurement
- £1.7mn from using staff more efficiently

The Government has proposed to increase the schools budget over the next four years, and by 2019/20 the increase will be 7.7% compared to the 2015/16 level. However the increase in pupil number is expected to be 3.9% in the same period, once inflation is taken into account; this is a real time reduction in funding per pupil.

The Department continues to publish advice on financial management and efficiency savings.

The proportion of secondary schools overspending rose from 34% in 2010/11 to 59% in 2014/15. For academies this rose from 39% to 61%. The reasons for this are unclear, and the sustainability of this spending is unknown.

Highway Network Assets

The depreciated replacement cost accounting for Highway Network Assets is expected to come into effect from 1 April 2017, but is subject to confirmation from CIPFA. EY has run a number of workshops for clients and there are a range of levels of confidence over the accounting treatment for the asset. It can however be seen that the levels of confidence have increased from this time last year.

The key question for councils to consider will be how can we demonstrate that their Highways Asset Management System is complete and that all assets exist.

By following the DREAM approach set out below we believe the task will run smoother.

Document highways systems: Almost all highways and engineering IT inventory information has not been subject to audit and lack detailed procedure manuals/notes. Full documentation of the key core data systems should be completed as one of the initial tasks that an authority carries out.

Reports and reconciliations: Assess the information requirements of the task and whether the existing systems can produce the required reports and reconciliations or will new reports and reconciliations be needed? Identify any corrective action required.

Evidential based: The quality of the inventory is key to the change. So as well as documentation of inventory systems, establish how you will evidentially prove that the inventory is complete and the named assets exist. This includes key asset dimensions. However, before engaging expensive external contractors to do this consider all the processes that you currently have in place that actually do this ranging from routine cyclical inspections to independent system reviews. Use this to identify areas where 'top-up' work is required.

Audit: Early and regular engagement with both internal audit (IA) and external audit (EA) is a key determinant of successful implementation. IA can assist in establishing documentation procedures and can carry out system audits of those systems. Sharing your proposals with EA in advance will reduce the risk of abortive work. Decisions on what work you actually do are a matter for the authority, but the EA will provide comments on proposed approaches.

Materiality: This is a key concept both to the authority as the accounts are stated to include all material items and EA who audit to a calculated materiality level. Materiality has both quantitative and qualitative aspects. In simple terms the quantitative identifies the level at which consideration needs to be given to whether omission of an item or inclusion of an error requires correction. The qualitative level is where a professional judgement is made as to whether correction of that item would influence decisions of the users of the accounts.

As the Highway Network Asset is to be classed as a single asset the materiality is based upon the total value and not the constituent parts. Due to the importance of this amount discussions around the level at which the authority is considering setting it at should take place with your external audit team at an early stage to ensure that this will not lead to problems in the audit process.

For further information please consult with your audit team

Sustainability and Transformation Plans

Sustainability and Transformation Plans (STP) have now been produced and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy.

From April 2017, access to NHS transformation funding will be linked to effecting delivery of the STP. These include meeting control totals to reduce deficits and meeting certain performance requirements. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as 'place-based planning'. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King's Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.

Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The Plans have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the Plans are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted Plans will need further development and engagement before they can be effectively implemented.

Government and economic news

All parties to the STP will need to collaborate to ensure the plans take full account of the pressures faced by the individual parties. Whilst the process provides opportunities for areas with challenging finances to identify solutions, there will be difficult decisions to be made about the range, type and location of services that are delivered. Per the NHS Confederation, the important element of prevention requires a strong role from public health as well as wider Council services such as housing, leisure and recreation, planning and children's services.

The leadership of the STP is critical to the success of the plan. The role of the STP leaders needs to be clarified with many leads finding it difficult to manage their original responsibilities alongside their leadership role. There are plans for some leaders to share leading more formally in the future. However where there are a large number of organisations involved this may be more difficult to do.

Priorities for social care in 2017

The Kings Fund has set out what it believes the five priorities should be for social care in the current year as follows:

- **Supporting new care models centred on the needs of patients** – Giving greater priority to public health and prevention, through partnerships between local government, the NHS, and other organisations, focused on both supporting people to remain in good health for as long as possible and engaging the public in tackling the causes of ill health. Additionally, they emphasise the need for continued support for vanguards both in delivering in their areas and spreading that good practice across the system
- **Strengthening and implementing sustainability and transformation plans** – The Kings Fund suggests that, to ensure that the service changes and the financial plans that underpin them are credible, all STPs need to be stress tested. It also highlights that STPs have 'no basis in statute' and suggests that their governance is formalised to align their work with the responsibilities of the boards running NHS organisations
- **Improving productivity and delivering better value** – With the need for increasing productivity becoming more urgent as funding decreases and deficits amongst NHS providers increases, the fund suggests that the priority for every NHS organisation should be to support clinical teams to reduce unwarranted variations in care and to improve care. It sees the boards of NHS organisations as having a key role in leading this work, ensuring that developing the cultures in which improvement is supported and valued and making resources available to support implementation
- **Developing and strengthening leadership at all levels** – It is clear that clinical leaders have a crucial role, working with operational managers, to deliver high-quality care. This is where many of the productivity opportunities arising from changes in clinical practice can be realised. They argue that this requires leaders who are (in their words) 'comfortable with chaos' because they can work within fluid and often rapidly changing organisational arrangements and that the NHS can learn from local government
- **Securing adequate funding for health and social care** – They refer to the need for a debate about a new settlement for health and social care, building on the work of the Barker Commission, and going further than short-term interventions that have sought to shore up the system. They argue that an equitable and sustainable system would be one in which public funding is increased (paid for by increases in taxes and National Insurance and changes to some existing benefits), and a closer alignment between entitlements to social care and health care

Accounting, auditing and governance

PSAA Audit Services Procurement Strategy for the appointment of local auditors

The PSAA is entering into contracts with audit firms to make auditor appointments by 31 December 2017. There are a total of 493 eligible authorities who have been invited to opt in. These include local authorities, combined authorities, police and crime commissioners, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.

The timetable for the appointment is as follows:

Key milestone	Target date
Issue OJEU Contract Notice and Selection Questionnaire (SQ) available on request	16 February 2017
Deadline for eligible bodies to notify PSAA of their decision to opt-into the scheme for audits of 2018/19 accounts	9 March 2017
Deadline of submission of SQs	21 March 2017
Issue ITT to short-listed suppliers	6 April 2017
Deadline for submission of tenders	10 May 2017
PSAA board approves contract award	30 June 2017

The contract will be awarded for five years to suppliers but PSAA may extend this contract by two years. It is expected that opting-in will achieve lower audit fees than those authorities that choose to negotiate alone. Fees are expected to be published in March 2018.

Report on the results of auditors work LG bodies 2015/16

In December 2016 PSAA published its first report on the results of auditors' work across 497 principal local government bodies, including 357 councils, 31 fire and rescue authorities, 76 police bodies and 33 other local government bodies, and 9,756 small bodies, with a turnover of less than £6.5mn, including 9637 parish councils. The results within the report cover audit work on the financial statements, the WGA return, arrangements to secure value for money and any exercise of the auditor's statutory reporting powers.

The timeliness and quality is broadly consistent with prior year, however the number of early unqualified opinions (issued by 31 July 2016) doubled compared to those issued in respect of 2014/15.

96% of auditors issued an opinion on the accounts by 30 September 2016 and for the third year in a row there were no qualified opinions on principal bodies. The proportion of qualifications on value for money arrangements increased from 4% to 6%.

With faster close in place from the 2017/18 financial year, there is a need for efficiencies from both local government bodies and their auditors in order to maintain the level of performance shown in this report. EY have produced an article on 'Accelerating your financial close arrangements', this can be found by following this link http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf. The report provides suggestions such as reviewing the format of the accounts, reviewing the approach to estimates and managing members' expectations, amongst others.

Key questions for the audit committee

What questions should the Audit Committee be asking itself?

Has the Authority made a decision on whether or not to opt into the PSAA sector-led arrangements for the local appointment of auditors from 2018-19? Has the authority decided whether they will use the revised flexibility on the social care precept for 2017/18 and 2018/19?

How confident is the authority about its preparation for the introduction of Highway Network Assets? Have there been discussions with the external audit team on the key issues and plans for implementation?

Has the authority engaged positively with health and other partners in the development of Sustainability and Transformation Plans?

Has the Authority put plans in place to meet the faster close requirements for 2017/18?

Find out more

EY Item Club winter forecast

http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections

Social Care, Precept and New Homes Bonus

http://www.publicfinance.co.uk/news/2016/12/council-tax-precept-and-new-homes-bonus-deployed-stem-social-care-crisis?utm_source=Adestra&utm_medium=email&utm_term

https://www.gov.uk/government/news/dedicated-adult-social-care-funding-forms-key-part-of-continued-long-term-funding-certainty-for-councils

https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation

Four year funding settlement

http://www.publicfinance.co.uk/news/2015/12/local-government-settlement-offers-councils-four-year-funding-deals

Funding for new care model vanguards

https://www.england.nhs.uk/2016/12/vanguard-funding/

Financial Sustainability of Schools

https://www.nao.org.uk/report/financial-sustainability-in-schools/

Sustainability and Transformation Fund

https://www.kingsfund.org.uk/blog/2016/11/will-stps-deliver-changes-we-wish-see-our-health-and-care-services

https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf

https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans

Priorities for social care in 2017

https://www.kingsfund.org.uk/publications/priorities-nhs-social-care-2017

PSAA Audit Services Procurement Strategy for the appointment of local auditors

http://www.psaa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/

Report on the results of auditors work LG bodies 2015/16

http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/

http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf

Notes

Notes

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ED None

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Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **23 FEBRUARY 2017 AT 12:30**	**Agenda Item No:** **7** **Report No:** **AUD/74/17**

RISK REGISTER 2016/17

Presented by the Director of Finance & Resources

SUMMARY

At each Audit Committee Members review the Risk Register for progress against existing actions and to ensure that the Risk Register remains relevant to deal with the corporate risks facing the organisation.

Following input from Members at the last Audit Committee the register has been updated for use going forward.

RECOMMENDATIONS

Members Approve: (1) the Authority's Strategic Risk Register (incorporating any agreed changes recommended at this Committee meeting) as attached at Appendix B to this report.

BACKGROUND

1 Risk management is one of the key internal controls for an organisation. Members need to ensure that a sound system of internal control is maintained and an annual review of the effectiveness of the system of internal control is conducted to provide sufficient, relevant and reliable assurance to enable them to authorise the signing of the Authority's annual governance statement (which is published with the financial statements).

2 Regulation 3 of the Accounts and Audit Regulations 2015 requires that:

"A relevant authority must ensure that it has a sound system of internal control which -
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the authority is effective; and
(c) includes effective arrangements for the management of risk."

In this context "relevant authority" is referring to the Lee Valley Regional Park

Authority.

3 Each financial year the relevant authority must –

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement - this statement must be published together with the statement of accounts and the narrative statement in accordance with Regulation 10.

4 Assurance of the Authority's internal control system is derived through the work of the internal audit function (undertaken by Mazars for the Authority); and also through the monitoring of processes put in place by management and other external bodies including those around risk management and health & safety. This provides evidence which allows the Authority to form conclusions on the adequacy and effectiveness of the systems of internal control and also on the efficiency of operations.

5 Risk management is not solely a focus on the finances of the Authority. The scope of internal control spans the whole range of the Authority's activities and includes those controls designed to ensure:

- the Authority's policies are put into practice;
- the organisation's values are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable; and
- human, financial and other resources are managed efficiently and effectively.

6 The Authority approved a Risk Management Framework in April 2005 (Paper A/3798/05). The Risk Management Framework, and more specifically, the Risk Register was developed by Members and senior officers under the guidance of the internal auditors through a number of workshops and meetings. Members have regularly reviewed the register at each Audit Committee, adding in their own comments and improvements.

7 Since this time Members have consistently (and in depth) reviewed the Corporate Risk Register and revised the strategy, format, and content. The strategy has been revised and updated twice since 2005 at the Audit Committee (20 May 2010, Paper AUD/06/10 and 28 June 2012 Paper AUD/30/12).

REVIEW OF THE STRATEGIC RISK REGISTER

8 The current Strategic Risk Register is reviewed by officers and Members on an on-going basis. At the meeting in September 2015 (Paper AUD/63/15) Members agreed the corporate Risk Register recognising that many of the previously identified risks had been satisfactorily addressed.

9 Members also requested on an ongoing basis that:

- residual risk scores needed reassessing to ensure that we were not over-stating the current position and to indicate the overall direction of travel. Since the February, June and September meetings officers have reviewed the scoring against the criteria set out in detail at Appendix A to this report. The table below sets out a comparison of the movement in managing the residual risk over time and the associated total notional score.

Risk	Inherent Risks	Notional Residual Risks 25 February 2016	Notional Residual Risks 16 June 2016	Notional Residual Risks 22 September 2016	Notional Residual Risks 23 February 2017
	8	0	0	1	3
	14	10	9	9	7
	0	12	13	13	15
Total Risks	22	22	22	23	25
Notional Score	1232	422	389	424	504

There were no further changes requested.

10 At the previous Audit Committee development of a new Ice Centre was identified as a new corporate risk on the register. Inclusion of this risk could be considered as falling within the 8 main strategic risks already identified within the register. However, in line with the previous risk-management of the Olympic build and Olympic legacy the potential scale of investment (£30m) and scale of change leads officers to recommend that this project is identified separately on the register.

There is currently a Member led working group that has reported to the full Authority (Paper A/4228/16). Authority has approved the preferred site and set aside specific resources to deal with the next phases of the project involving design work and preparing a capital funding model. Members of this Committee will want to ensure the legal, financial, reputational, contractual, environmental, business continuity, planning and project management risks are monitored as part of the organisation's required governance.

11 A further two part risk has been identified and added to the register by officers. This relates to the approved Corporate Land & Property Strategy approved at full Authority on 19 January 2017 (Paper A/4237/17). Potentially in any given year opportunity for land purchases or disposals may arise and although the Authority has controls in place to manage such transactions any decision to proceed will need to apply the further actions highlighted to mitigate potential risks.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

14 Revision of the Strategic Risk Register is a key element of this Authority's system of internal control that contributes to safeguarding the assets of the Authority and its reputation for sound financial management of public funds. This is reflected in the Authority's Annual Governance Statement published within the annual accounts and approved by this Committee.

15 Where actions require additional resources these will be identified and approved through the normal budget setting/service planning and management processes in accordance with Financial Regulations.

HUMAN RESOURCE IMPLICATIONS

16 There are no additional human resource implications arising directly from the recommendations in this report. Actions have been set so that they can be met from existing employee resources.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

18 These are dealt with through the main body of the report and through the revised register. The Ice Centre project is now perceived as potentially the highest corporate risk faced by the organisation. The other potential high risk areas identified (now amber) within the corporate register relate to business continuity and resourcing risks. Continuing mitigation against these identified risks is demonstrated by the proposed actions in the Strategic Register in Appendix B and primarily through implementing and delivering the 2016-19 approved Business Plan.

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BACKGROUND REPORTS

Lee Valley Regional Park Authority Risk Management Strategy	June 2012

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/06/10	Risk Register 2009/10	20 May 2010
Audit Committee	AUD/17/11	Risk Register 2010/11	02 March 2011
Audit Committee	AUD/21/11	Risk Register 2011/12	02 June 2011
Audit Committee	AUD/23/11	Risk Register 2011/12	22 September 2011
Audit Committee	AUD/26/12	Risk Register 2011/12	23 February 2012
Audit Committee	AUD/30/12	Risk Register 2012/13	28 June 2012
Audit Committee	AUD/34/12	Risk Register 2012/13	20 September 2012
Audit Committee	AUD/38/13	Risk Register 2012/13	28 February 2013
Audit Committee	AUD/40/13	Risk Register 2013/14	20 June 2014

Audit Committee	AUD/44/13	Risk Register 2013/14	26 September 2014
Audit Committee	AUD/46/14	Risk Register 2013/14	27 February 2014
Audit Committee	AUD/50/14	Risk Register 2014/15	19 June 2014
Audit Committee	AUD/54/14	Risk Register 2014/15	25 September 2014
Audit Committee	AUD/57/15	Risk Register 2014/15	26 February 2015
Audit Committee	AUD/59/15	Risk Register 2015/16	25 June 2015
Audit Committee	AUD/63/15	Risk Register 2015/16	24 September 2015
Audit Committee	AUD/66/16	Risk Register 2015/16	25 February 2016
Audit Committee	AUD/70/16	Risk Register 2016/17	16 June 2016
Authority	A/4228/16	Outcome of the Ice Centre Feasibility Exercise and Proposed Next Steps	16 June 2016
Audit Committee	AUD/72/16	Risk Register 2016/17	22 September 2016
Authority	A/4237/17	Corporate Land & Property Strategy	19 January 2017

APPENDICES ATTACHED

Appendix A	Risk Register Definitions and Scoring Criteria
Appendix B	Corporate Risk Register – Authority

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Definitions

The following key terms are used within the Risk Register

Risk = an event or action which may adversely (or positively e.g. the winning or losing of contracts) affect the Trust's ability to maximise stakeholder value and to achieve its objectives, or limit its ability to exploit opportunities.

Risk is an inevitable part of everyday business and cannot be eliminated, but it can be managed.

Risk Management = the planned and systematic approach to the identification, evaluation and economic management of the risks associated with the Trust activities.

Inherent Risk = the risk exposure (likelihood x impact), assuming that nothing is done to manage it.

Likelihood = the estimated chance of a risk being realised.

Impact = the potential consequences if a risk is realised.

Control = an action taken to help manage a risk, either reducing the likelihood or the impact, or both.

Residual Risk = the risk exposure (likelihood x impact), taking into account the steps already being taken to manage it.

Dealing with the risk = treating, transferring, terminating or tolerating

Treat	Controls are put in place to help reduce the likelihood of a risk being realised.
Transfer	Action is taken to transfer the potential impact to another party, e.g. through an insurance arrangement.
Terminate	A decision is made to end the area of activity with which the activity is associated.
Tolerate	A decision is made to accept the current level of exposure without taking any further action.

Further Action = the further steps to be taken to reduce the residual risk exposure to an acceptable level.

Deadline for Completion of Actions = Final date when action should be completed by.

Officer Responsible = a senior officer responsible for managing the risk indicated by their post title eg, CEO (Chief Executive Officer), DCS (Director of Corporate Services, DFR (Director of Finance & Resources), HP (Head of Parklands), HC (Head of Communications), HSL (Head of Sport & Leisure) and AMPD (Section Manager Asset Management, Protection & Development).

Assurance = information which provides a view on the extent to which a risk is being managed in the way envisaged and hence on whether the actual residual risk exposure is consistent with that which it is believed to be.

Comments = Officer comments updating against progress against the action and the deadline.

Risk Appetite and Scoring Criteria

Risks are assessed using a 1-9 scale for both impact and likelihood. The Authority's risk appetite is then defined using the scoring matrix below.

Impact									
9	9	18	27	36	45	54	63	72	81
8	8	16	24	32	40	48	56	64	72
7	7	14	21	28	35	42	49	56	63
6	6	12	18	24	30	36	42	48	54
5	5	10	15	20	25	30	35	40	45
4	4	8	12	16	20	24	28	32	36
3	3	6	9	12	15	18	21	24	27
2	2	4	6	8	10	12	14	16	18
1	1	2	3	4	5	6	7	8	9
	1	2	3	4	5	6	7	8	9

Likelihood

Each risk is scored on the basis of the following criteria for impact and likelihood, both for inherent and residual risk. This provides a visual indicator of the original level of risk and where it stands currently.

Key

Score 45-81 High Risk

Score 9-48 Moderate risk

Score 1- 18 Low risk

Whilst the assessment remains subjective, the following criteria serve as a guide and are used to help ensure consistency in scoring across each of the risks identified.

	Impact	Likelihood
1	No impact	<1% likely to occur in next 12 months
2	Financial loss up to £1,000 or no impact outside single objective or no adverse publicity	1%-5% likely to occur in next 12 months
3	Financial loss between £1,000 and £5,000 or no impact outside single objective or no adverse publicity	5%-10% likely to occur in next 12 months
4	Financial loss between £5,000 and £20,000 or minor regulatory consequence or some impact on other objectives	10%-20% likely to occur in next 12 months
5	Financial loss between £20,000 and £50,000 or impact on other objectives or local adverse publicity or strong regulatory criticism	20%-30% likely to occur in next 12 months
6	Financial loss between £50,000 to £250,000 or impact on many other processes or local adverse publicity or regulatory sanctions (such as intervention, public interest reports)	30%-40% likely to occur in next 12 months
7	Financial loss between £250,000 to £500,000 or impact on strategic level objectives or national adverse publicity or strong regulatory sanctions	40%-60% likely to occur in next 12 months
8	Financial loss between £500,000 to £1 million or impact at strategic level or national adverse publicity or Central Government take over administration	60%-80% likely to occur in next 12 months
9	Financial loss above £1 million or major impact at strategic level or closure/transfer of business	>80% likely to occur in next 12 months

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AUTHORITY STRATEGIC RISK REGISTER AS AT 23 FEBRUARY 2017

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score	RAG	Existing Controls	Residual Risk Score: Impact	Likelihood	Total Score	RAG	Direction	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
SR 1	**Legal**																		
	Failure to comply with the 1966 Park Act and other statutory requirements.	DCS	8	7	56		Provision of Legal Services Member scrutiny through Authority & Committee meetings Annual Governance statement Park Act Awareness covered by inductions for new staff.	6	1	6		⇔	Tolerate	Continue Induction Process and monitoring of statutory changes	Quarterly	DCS	External Audit Internal Audit Senior Management	**On-going Monitoring**	On-going Monitoring
	Failure to comply with Health & Safety legislation	DFR	9	6	54		Health and Safety management H&S manual (procedures) regularly reviewed by RDHS who monitor up and coming legislation. H&S Policy Updated n Risk Reduction Plan complete. External H&S Assessment 5*	7	2	14		⇔	Tolerate	Annual Internal Audit & H7S Audit Plans delivered.	31/03/2017	DFR	Senior management Members	**2016/17 Work site inspections complete. Annual Audits near completion.**	2016/17 Work site inspections plus annual audits
SR2	**Contractual**																		
	Agreeing to accept a partners' financial terms and conditions that will place an unacceptable long term contingent liability on the Authority	DFR	9	4	36		Reports to SMTand Members Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code.	8	2	16		⇔	Tolerate	Ongoing resources review for specific projects	Quarterly	DCS/ DFR	Internal Audit/ External Audit	**No new agreements. Monitor re major projects eg Ice Centre Development**	No new agreements. Monitor re major projects eg Ice Centre Development
	Contractors, Governing Bodies, or Trust not delivering agreed objectives	DFR	7	6	42		All contracts reviewed prior to commencement by a responsible officer. Delivery monitored by Director/Head of Service	6	2	12		⇔	Tolerate	Quarterly Contract monitoring.	Executive Quarterly Monitoring	HSL	Senior Management and Members	**Quarter1 & 2 Monitoring presented to Executive Scrutiny Members. Q3 presented today**	1st Quarter Monitoring presented to Executive 21/72016 and sent to Scrutiny Members

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Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Impact	Likelihood	Total Score		⇧ ⇩ ⇔	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
	Failure to deliver the LVRPA management contract to the required specification including breach in SE Funding Agreements LVWWC , VeloPark, LV H+TC	DFR	9	4	36		Monitored as part of Trust contract monitoring	6	2	12		⇔	Tolerate	No further action	Executive Quarterly Monitoring	HSL	Senior management Internal Audit	**Quarter1 & 2 Monitoring presented to Executive Scrutiny Members. Q3 presented today. Sport England Q2 reports sent to SE.**	1st Quarter Monitoring presented to Executive 21/72016 and sent to Scrutiny Members Sport England Q1 report sent to SE
	Management of Facilities Contracts	DCS	9	4	36		Advice and support AMPD plus external contractors	9	3	27		⇨	Treat	Ongoing Monitoring	Annual Inspection & Review.	AMPD	Internal Audit Senior Management	**APMD Undertake annual reviews of MPG's at venues to ensure compliance**	APMD Undertake annual reviews of MPG's at venues to ensure compliance
SR 3	**Resources**																		
	I.T. infrastructure does not meet future business need requirements. Authority reduces or lacks funding for updating or improving I.T infrastructure	DFR	9	4	36		Reports to Members Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code. Existing IT Infrastructure budget £140K pa	8	3	24		⇨	Treat	Budget resources review for new projects	01/04/2017	DFR	Senior Management Internal Audit/External Audit	**First Draft strategy complete. Review by Authority & Trust senior management. Reort to Members by June 2017**	Strategy under review and built in as corporate objective in 2016-19 business plan. Report to Members by Dec 2016.

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		Inherent Risk Score						Residual Risk Score											
Risk ID	Risk Name	Lead	Impact	Likelihood	Total Score		Existing Controls	Impact	Likelihood	Total Score		⇦ ⇨ ⇔	Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
	The Authority fails to attract and retain staff at all levels of the appropriate calibre	CEO	8	8	64		Reward & Recognition Training & development framework Management Away Days Staff presentations Internal/External communications	4	5	20		⇨	Treat	Implement "learning " strategy Regular adverts and communication. Exit Interview Review Employer of choice Review of benefits	31/03/2017	CEO/ DFR	Senior Management/ Members	Comparative data researched - Review by Authority & Trust senior management. Report to Members by June 2017	Review under-way and built in as corporate objective in 2016-19 business plan. Report to Members by Dec 2016.
SR 4	**Financial Management**																		
	Financial Risks of unresourced legacy costs through non-achievement of income targets by Trust or inaccurate budget forecasting	DFR	9	9	81		Budget monitoring reports Authority/Trust monitoring Meetings Joint Chairs Meeting Budget Review 2016/17 complete	7	2	14		⇨	Treat	Budget Review 2017/18	31/12/2016	DFR	Senior management Members	Budget & levy agreed Authority January 2017	Member Working Group start Sept 2016
	Ensure Adequate Funding for Both Organisation	DFR	9	9	81		Current Financial Plan 2016/17 Existing Budget Process Mandatory Rate relief achieved	7	2	14		⇨	Treat	Budget Review 2017/18	19/01/2017	DFR	SMT Members	Budget & levy agreed Authority January 2017	Member Working Group start Sept 2016
SR5	**Governance & Leadership**																		
	Lack of a clear corporate direction	CEO	9	9	81		Authority meetings SMT Business Plan 2016-19	9	1	9		⇔	Tolerate	Implement 2016-19 Business Plan	Quarterly Monitoring	CEO	Senior Management Members External Audit	Ongoing Monitoring through Executive & Scrutiny.	Ongoing Monitoring through Executive & Scrutiny.
	Challenge to the Levy resulting in non-payment	CEO	9	9	81		Stakeholder engagement Clear Budget/Levy Direction Funded Financial Plan Statutory Levy Raising Powers	9	1	9		⇔	Tolerate	Implement 2016-19 Business Plan. Develop Levy Strategy.	Quarterly Monitoring	CEO	Senior Management Members	Budget & levy agreed Authority January 2017. 6% reduction approved- Ongoing monitoring	Member Working Group start Sept 2016

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Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Impact	Likelihood	Total Score		⇕ ⇩ ⇧	Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
SR6	**Reputation/Communication**																		
	Impact on Authority if Trust Venues do not have a strong reputation	HC	7	5	35		Managed via Contract Stakeholder updates Feedback/liaison with Trust	6	3	18		⇩	Treat	Regular client meetings	Quarterly Monitoring Report	HC	Senior Management/ Members Stakeholder Perception KPI	**Councillor engagment at London Councils Summit Nov 2016 - 100% awareness of park among delegates. New document distributed to delegates to highlight key achievements**	New legacy report issued to stakeholders in August
	Reputational Enhancement or Damage due to success or failure of Olympics Legacy	CEO	8	5	40		Business plans Olympic Venues Working Relationship LLDC Third party working relationships across Olympic park	6	3	18		⇩	Treat	Ongoing management and monitoring	Monthly	HC	Senior management Members	**Continued media and stakeholder monitoring, plus close working with LLDC to maintain positive public messages.**	Continued media and stakeholder monitoring, plus close working with LLDC to maintain positive public messages.
	Reputational Enhancement or Damage due to success or failure of stakeholder relationships	HC	9	3	27		Stakeholder Communications Planned Visits Speaker engagements existing media relations	6	3	18		⇩	Treat	Ongoing engagement at local, regional and national level	Ongoing	HC	Senior management Members Stakeholder Perception KPI	**Engagement Programme with stakeholders, including council leader and GLA member invites to schools festivals and stakeholders invites to major events**	Engagement Programme with stakeholders, including council leader and GLA member invites to schools festivals and stakeholders invites to major events

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Risk ID	Risk Name	Inherent Risk Score Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
	Failure to deliver major events in partnership with Governing Bodies/LVLT	HSL	7	5	35		Strategic and Operation meetings pre and post events LVRPA and NGBs Events fit with business plans Adequate time and resource agreed and allocated	6	4	24			Treat	Partner Working with Trust. Events Strategy	30/11/2016	HSL	Senior management Members Stakeholder Perception KPI	**All major NGB events for 2016 have been completed, Hockey world League Semi Flanis due in June 2017 and NEC Wheelchair Masters in November 2017.**	All major NGB events with the exception of the NEC Wheelchair Masters due to be held in November 2016 have been completed for this year.
SR7	**Business Continuity**																		
	Inadequate business continuity implementation at any (all) sites	DFR	6	5	30		Draft IT Disaster Recovery Plan Business Interruption Insurance Adequate Cover arrangements exist for Senior Management Site Management Plans	5	3	15			Treat	Audit Recommendations completed. Further training and testing	18/10/2016	HSL	External Audit Internal Audit Senior Management	**Joint Training day complete. Procedures revised. New software being assessed to be used to improve communications if disaster occurred.**	Authority Training Day completed 14/7/2016. Joint Trust & Authority Emergency Planning Trainining 18/10/2016. Revision of current procedures underway.

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		Inherent Risk Score						Residual Risk Score											
Risk ID	Risk Name	Lead	Impact	Likelihood	Total Score		Existing Controls	Impact	Likelihood	Total Score		⇕ ⇩ ⇧	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
SR8	**Environmental Management**																		
	Failure to manage contamination could be a risk to users, this includes land and/or water contamination (also damage to reputation from failing to manage contamination)	DCS	9	9	81		Site investigations carried out prior to developments & land remediated. Site investigations carried out on some other sites. Some sites monitored. Sites closed to pubic access where contamination is significant. Contaminated Land Policy Member Task & Finish group Completion of Conraminated Land Strategy & Policy Consultant Site Investigations work completed.	7	2	14		⇔	Tolerate	Ongoing monitoring	30/09/2016	DCS	Senior Management/ Members	**Contamination at Holyfield Marsh has not entered the water after the erosion to the river bank. Ongoing monitoring & works to the river bank to be carried out in due course.** **Land contamination considered when areas of land are either changing use or works need to be undertaken in accordance with the Contaminated Land Strategy.**	Paper E/442/16 summarised actions to date; user guides, supplemental land surveys & additional consultancy work at Holy-field Marsh prior to any remedial works being carried out
	Vetinerary Disease outbreak affecting Farms business (e.g. avian flu, Foot and Mouth)	DCS	6	6	36		Emergency Action Planning Insurance Funds General Reserves	5	3	15		⇔	Transfer	Annual Insurance Renewal	30/09/2016	HP	Internal Audit Senior management	**Insurance renewal complete October 2016**	Insurance Renewal underway 2016/17
	Disease outbreak affecting human health	DFR	9	2	18		Pandemic flu outbreak procedure Proactive monitotring during winter months Formal management of animal movements. Quarterly SMT Reports Quarterly e-coli checks	8	2	16		⇔	Tolerate	None	Quarterly inspections	DFR	Internal Audit Senior management	**Quarterly inspections of E. Coli control measures conducted by H&S Officer at the farms.**	Quarterly inspections of E. Coli control measures conducted by H&S Officer at the farms.

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Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (If Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
	Flood risk	DCS	7	5	35		Emergency Action Planning Insurance Funds General Reserves Working with Environment Agency & CRT GIS Mapping of Flood Risk Areas Park Development Framework	6	3	18		⟺	Tolerate	Audit Recommendations completed. Further training and testing	30/06/2016	HP	Internal Audit Senior management	**Joint Training day complete. Procedures revised. Plus linked in to EA plus site evacuation plans.**	Joint Trust & Authority Emergency Planning Trainining 18/10/2016 Plus linked in to EA plus site evacuation plans.
	Environment damage/disaster to buildings/ programme/events	DCS	7	5	35		Emergency Action Planning Insurance Funds Work with Trust Working with QEOP and Agencies	6	3	18		⟺	Tolerate	Audit Recommendations completed. Further training and testing	30/06/2016	DFR	H+S Senior management	**Joint Training day complete. Procedures revised.**	DRP completion and Audit by 31/6/2016. Joint Trust Authority training day 18/10/2016

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Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Source of Assurance	23/02/2017 Comments	22/09/2016 Comments
SR 9	**Major Development - Ice Centre**																		
	Failure in Strategic Risks 1-8 above in the development of the Ice Centre circa £30m project	CEO	9	8	72		Legal Advice Prudential Code Feasibility Studies Member Steering Group Existing PR/Comms Feasibility budget Working with LB Waltham Forest Planning Advice	7	7	49			Treat	Business Plan Tender for Design Team Engagement stakeholders, users and local community	31/03/2017	HSL	Senior management Members External Consultants	**Contrract in place as of 16th January 2017. Contract covers stages 0-7 but at this point only stages 0-2 are funded. Paper will be presented to Members in July 2017 on findings and recommendations.**	Paper A/4228/16 approved Lea Bridge Road as preferred site & next phase of project re design and capital funding model Tenders being assessed re project management & design team.
SR 10	**Implications of Implementing Land & Property Strategy**																		
	Purchases	DCS	8	6	48		Legal Advice Park Act L&P Strategy	8	6	48			Treat	Seek External Advice incl. Planning Context. Identify Resources Members Decision. Ongoing Monitoring. Consultation	31/03/2018	HoP	Senior management Members External Consultants	**New Risk Identified**	N/A
	Disposals	DCS	8	7	56		Legal Advice Park Act L&P Strategy	8	7	56			Treat	Seek External Advice incl. Planning Context. Members Decision. Consultation	31/03/2018	HoP	Senior management Members External Consultants	**New Risk Identified**	N/A
					1232					504									

Score 45-81 High Risk
Score 19-48 Moderate risk
Score 1- 18 Low risk

Progress in a positive direction ie reducing the risk
Progress is negative and risk is getting worse.
Progress static subject to actions or as risk is "tolerated"