



Wandsworth Borough Council Audit Results Report

Year ended 31 March 2022

20 March 2024



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20 March 2024

Wandsworth Borough Council
The Town Hall
Wandsworth High Street
London
SW18 2PU

Dear Audit Committee Members

2022 Audit results report

We are pleased to attach our audit results report, summarising the completion of our audit for the year ending 31 March 2022.

The audit is designed to express an opinion on the 2022 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Wandsworth Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

Yours faithfully

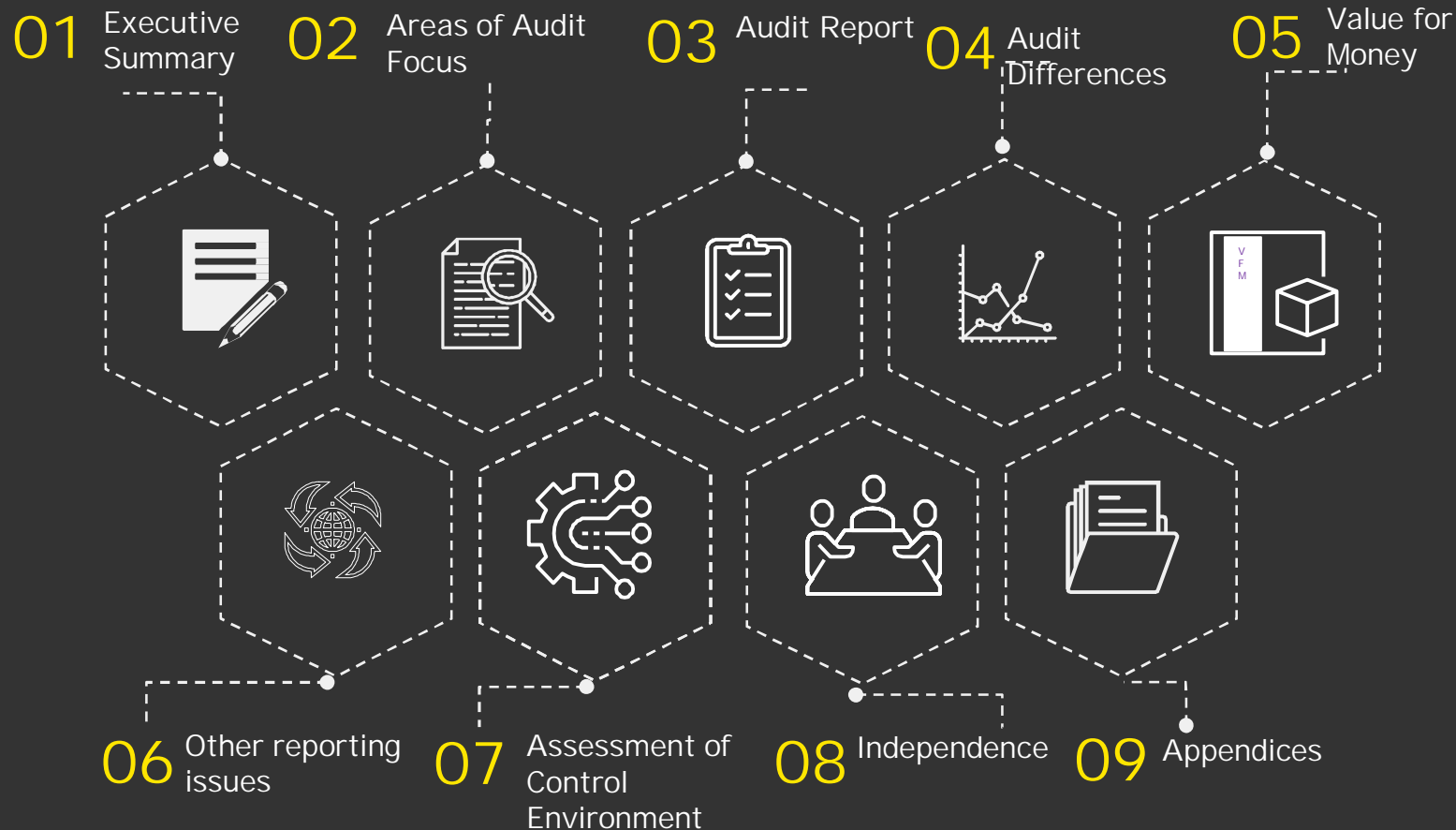
Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Wandsworth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Wandsworth Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Wandsworth Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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Executive Summary

Executive Summary

Scope update

In our outline audit planning report presented at the 7 March 2022 Audit Committee and our detailed audit plan circulated on 18 August 2022, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

Our audit work in respect of the Council's opinion is complete.

Infrastructure Assets:

As outlined in our audit plan, nationally, audit firms have identified an issue with applying the CIFPA code accounting treatment to infrastructure assets. Where management incur subsequent expenditure to replace part of an asset, the CIPFA Code requires management to write out the value of the old part being replaced. Across the country, most authorities have not kept sufficient detailed records of infrastructure spend to allow the value of the part being replaced to be identified and written out. CIFPA, the Department for Levelling up, Housing and Communities (DLUHC) and other related stakeholders have been seeking a solution to this issue since it was first identified. As with many other authorities, Wandsworth Borough Council does not have sufficient information to identify individual infrastructure assets and therefore identify if any subsequent expenditure on the infrastructure relates to the purchase of new assets or is the replacement of old assets.

Following a process of consultations with the Financial Reporting Advisory Board (FRAB), local councils, accounting bodies, and external audit firms, the resolution included an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets and a Statutory Instrument (SI) (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022). The SI relates to a financial year beginning on or before 1st April 2024 and in respect of which a certificate has not been issued under section 20(2)(a) of that Act. The SI allows for the infrastructure assets opening balance to be brought forward without amendment and determines the carrying amount to be derecognised in respect of replaced components to be nil. It became active on 25 December 2022. Management prepared a paper in response to this guidance, which was provided for audit on 23 January 2023. The Council included appropriate revised disclosures to ensure compliance with the revised guidance.

IAS19 - Pensions

A further national issue was identified following the completion of the Pension Fund triennial valuation as at 31 March 2022, with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. The audit team worked with the Council to understand the impact of this revised valuation as a subsequent event. We concluded that the Council properly updated its disclosures within the financial statements as at 31 March 2022 to reflect this subsequent event.

Events After the Balance Sheet Date :

We requested additional disclosure within the Council's financial statements to reflect the fact that the audited accounts of the Winstanley and York Road Regeneration LLP for the year ending 31 December 2022 had not been filed with Companies House by 30 December 2023 and that the audit is ongoing. We understand there may be a risk that the joint venture partnership Accounts are not signed by their external auditor on a Going Concern basis. The Events After the Balance Sheet Date disclosure has therefore been updated to include an explanation of this and state that the impact on the Council's Accounts is not deemed material and the Council would continue itself as a Going Concern.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit – Value for Money

In the Audit Plan, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness to date. As a result, we expect to have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of the Auditor's Annual Report.



Executive Summary

Audit differences

Management have adjusted the following misstatements which exceed our reporting threshold of £0.95m

Council Dwelling Valuation:

We identified a difference of £24m where the Council's financial statements had overstated the value of the Council Dwellings as the valuation provided by their external valuation specialist, Wilks Head & Eve had not been properly included.

Section 106:

In preparing the 2021/22 financial statements, officers proposed a prior year adjustment relating to the 2020/21 financial statements relating to the accounting for Section 106 agreements. As we have not been able to issue our Audit Report in respect of the 2020/21 year, rather than a prior year restatement, we requested management make changes to the 2020/21 financial statements before they are signed by the Council, and before we issue our Audit Report. We requested working papers to support the Council's Section 106 transactions and balances in July 2022. We received working papers from which we could start our audit procedures on 1 February 2023, although the information provided remained incomplete and resulted in a number of audit queries. Revised working papers were provided at the end of July 2023. This work resulted in an update to the opening balances within the Council's 2021/22 financial statements as reported in our Audit Results Report for 2020/21, issued in October 2023. Subsequently, adjustment to the 2021/22 balances was as follows:

- An increase to the Section 106 Earmarked Reserve of £60.4m
- An increase to the Capital Grants Unapplied Reserve of £4.68m.
- A decrease in Grants Receipts in Advance – Revenue (current liabilities) of £22.4m
- A decrease in Grants Receipts in Advance – Capital (current liabilities) of £2.56m
- A decrease in Grants Receipts in Advance – Revenue (non-current liabilities) of £35.31m
- A decrease in Grants Receipts in Advance – Capital (non-current liabilities) of £4.8m.

CIL Debtors:

Our testing of the Council's Community Infrastructure Levy (CIL) debtors identified the balance was overstated by £8.97m as the financial statements included an item which had been reversed by a credit note prior to year end.

IAS 19 Pensions:

As noted on page 5, the Council updated the IAS 19 pensions balances to reflect the latest triennial valuation as at 31 March 2022. This resulted in an increase in the Council's Pension Reserve of £110.09m and a decrease in the pension liability by the same amount.

Classification of PPE Assets:

Our testing of Property, Plant and Equipment identified that:

- Kersfield Estate had been incorrectly included with Land and Buildings rather than Assets Under Construction. This adjustment totalled £4.5m.
- Chatham Hall, Northcote Road had incorrectly been included within Land and Buildings rather than Assets Under Construction. This adjustment totalled £1.75m.

Executive Summary

Audit differences

Other adjustments:

- Two adjustments were made as a result of a revised valuation obtained from the Council's expert valuer, Wilks Head & Eve, as a result of challenge from our testing. The valuation of 1-9 Danebury Avenue reduced by £0.108m and Battersea Park Lakeside Café increased by £0.331m. These items are below our reporting threshold but have been included here as management have elected to adjust for these within their updated financial statements.
- Note 42 Leases included an overstatement of the value of minimum lease payments due in 2021/22 and 2022/23 of approximately £1m per year.
- The Remuneration Report has been updated to include revised number of officers and teachers in each band following audit checks.

The following uncorrected misstatements have also been identified. The "extrapolated" misstatements identified below have arisen where a sample has been selected from a population and one, or more, sample items contain a misstatement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement.

Debtor and Creditor Control Accounts:

Our testing of debtors and creditors identified an understatement of £0.987m within the Debtor Control account and an overstatement of £0.987m in the Creditor Control account.

Debtors:

Our testing of debtors identified an overstatement of debtors by £6.54m due to the incorrect inclusion of an item reversed by a credit note.

Creditors:

Our testing of creditors cut-off identified an extrapolated misstatement of £4.92m.

Our testing of Goods Received Not Invoiced (GRNI) creditors identified an overstatement of creditors where a GRNI had been raised and an invoice had been applied against it to reflect the full receipt but for a value less than the GRNI amount. This has resulted in an extrapolated misstatement of £1.65m.

Internal Recharges:

Our testing of income and expenditure identified the Council had incorrectly included internal recharges within income and expenditure. We extrapolated that both income and expenditure are overstated by £6.29m.

Leases Disclosures:

Our testing of the operating leases disclosure where the Council is a lessor identified that the Council had not included a disclosure detailing the future lease payments within age brackets as required within the CIPFA Code. Management should ensure that this disclosure is included within their financial statements in future financial years to ensure that they are fully Code compliant.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, the NAO may request auditors undertake additional procedures at a later date. Until the NAO have notified auditors that this is not the case, we will not be able to issue our audit certificate.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Wandsworth Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error (Risk of Management Override)	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements. Please see page 13 for further detail.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We have completed our testing in respect of this fraud risk. No evidence of material misstatement was identified.

Significant Risk	Findings & Conclusions
Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV)	We employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis. We have identified 1 out of 3 assets which appears outside the EY specialist valuers expected range. This was raised with management and Wilks Head & Eve as the Council's valuer, which has resulted in amendment of the valuation of the asset.
Valuation of Investment Property – valued under Existing Use Value (EUV) / Fair Value (FV)	We employed the use of our own expert to test the valuation of a small number of investment properties, focusing on those where we have previously had differences arise. For 2021/22, no differences in valuation were identified. A number of investment properties are tested by the local audit team and were also found to be within the expected range.

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of land and buildings – valued under Depreciated Replacement Cost (DRC)	No material audit differences have been identified from our work to address this risk.
Valuation of Housing Revenue Account (HRA Properties)	Our testing identified that the valuation of the Council's HRA properties was overstated by £24m. This has been adjusted within the final version of the financial statements.

Executive Summary

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Pension Liability Valuation	<p>We tested the Council's pension liability valuation and assessed the work of the Council's actuary, Barnett Waddingham. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the recalculation of the IAS19 report by an EY pensions expert which was then compared to the report prepared by Barnett Waddingham. No material differences were identified from this process.</p> <p>A triennial review of the Wandsworth Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. The Council has appropriately updated the financial statements to reflect the revised IAS 19 reporting entries, and we have undertaken additional audit procedures, including consultation with a Pension Specialist, to obtain assurance over the balances.</p>
Going Concern Disclosure	Management has provided an updated disclosure and we have completed our audit procedures around the going concern disclosure. We are satisfied that the Council's use of the going concern assumption is appropriate.
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	No material audit differences have been identified from our work to address this risk.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Management.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

During the audit, we identified five areas for the Committee's attention relating to the treatment of recharges within income and expenditure, Section 106 transactions and balances, accounting for infrastructure assets, leases disclosures and journals. See section 7.

There are no other matters we wish to report.

Independence

Please refer to Section 08 for our update on Independence.



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Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (Risk of Management Override)

(Applicable to Council and Component)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 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.

What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages, which reflect the significant fraud risk recognised in this report (the risk of inappropriate capitalisation of expenditure).
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks documented on this file.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
 - Testing journal entries at year-end to ensure there are no unexpected or unusual postings.
 - Undertaking a detailed review of accounting estimates for evidence of bias (such as the valuation of land, buildings and investment property and IAS 19 pension balances) and substantively testing unusual or unexpected transactions.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgement, which would facilitate management overriding controls:

- Unusual or unexpected journal entries;
- Material accounting estimates, such as the valuation of land, buildings and investment property and IAS 19 pension balances; and
- Unusual transactions within the financial statements.

What is the status of our work?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

No evidence of management override of controls was identified from our journals testing. However, we did identify some journals whereby the journal request was raised via email, was posted within the General Ledger by a different user, and approved by the user who raised the emailed journal request. We did not identify any evidence that these journals had not been appropriately challenged by the journal poster, that they were not appropriately supported, or that they were materially misstated or arising from inappropriate judgements or unusual transactions. We also did not identify any indications that these had resulted in any misreporting of the Council's financial performance and position.

No unusual transactions identified.



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure

(Applicable to Council)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment (PPE) or incorrect classification of expenditure as revenue expenditure funded from capital under statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. We are focusing our testing on capital additions and REFCUS.

PPE: Additions totalled £107.1m in the 2021/22 unaudited financial statements.

REFCUS: totalled £15.7m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period it related to. We note that no testing was carried out on IP additions as the value was immaterial at £2k.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period it related to.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

We found no evidence of incorrect capitalisation of revenue expenditure in the REFCUS balance within the financial statements.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified.

We have also concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.



Areas of Audit Focus

Significant risk

Valuation of land and buildings -
valued under Existing Use Value
(EUV) / Fair Value (FV)
(Applicable to Council)

What is the risk?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

PPE assets valued on an EUV/FV basis totalled £157.6m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Areas of Audit Focus

Significant risk

What are our conclusions?

We employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis. The report from our auditor specialist has identified 1 out of the 3 assets selected which appear to fall outside our identified valuation range. These were raised with management and Wilks Head & Eve as the Council's valuer, which has resulted in amendment of the valuation for the asset. Testing of a further sample by the audit team did not identify further errors.



Areas of Audit Focus

Significant risk

Valuation of investment property – valued under Fair Value (FV)

(Applicable to Council)

What is the risk?

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £72.9m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Areas of Audit Focus

Significant risk

What is the status of our work?

We employed the use of our own expert to test the valuation of a small number of investment properties, focusing on those where we have previously had differences arise. For 2021/22, no differences in valuation were identified. A number of investment properties were tested by the local audit team. No evidence of material misstatement was identified.



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
<p>Infrastructure Assets</p> <p>(Applicable to Council)</p> <p>In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.</p>	<p>We:</p> <ul style="list-style-type: none"> • Have reviewed the draft financial statements to identify prima facie whether the Council is recording disposals of infrastructure assets, or components. • Have made enquiries to understand management's current processes, including bringing forward our knowledge from previous year's audits. • Concluded the draft financial statement disclosures were not compliant with the Code. <p>We will review the Council's response to the revised guidance and undertake appropriate audit procedures.</p>

What are our findings and conclusions?
<p>As outlined in our Audit Plan, nationally, audit firms have identified an issue with applying the CIPFA Code accounting treatment to infrastructure assets. Where management incur subsequent expenditure to replace part of an asset, the CIPFA Code requires management to write out the value of the old part being replaced. Across the country, most authorities have not kept sufficient detailed records of infrastructure spend to allow the value of the part being replaced to be written out. CIPFA, the Department for Levelling up, Housing and Communities (DLUHC) and other related stakeholders have been seeking a solution to this issue since it was first identified.</p> <p>In response, CIPFA has issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets, and DLUHC have issued a Statutory Instrument (SI) (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022). Finally, a CIPFA LAAP bulletin was issued on 11 January 2023 to provide further guidance to affected local authorities.</p> <p>Wandsworth Borough Council holds a material balance of infrastructure assets at 31st March 2022, totalling £186.8 million on a Gross Book Value and £106.7 million on a Net Book Value as per the draft financial statements. As with many other authorities, Wandsworth Borough Council does not have sufficient information to identify individual infrastructure assets and therefore identify if any subsequent expenditure on the infrastructure was the replacement of old assets. Like others, the Council's current accounting treatment is not in line with the Code.</p> <p>Management prepared a paper in response to this guidance, which was provided for audit on 23 January. We are satisfied the Council has appropriately accounted for infrastructure assets in accordance with the CIPFA adaption to the Code of Practice on Local Authority Accounting.</p>



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
<p>Valuation of land and buildings in Property, Plant and Equipment (PPE) under Depreciated Replacement Cost (DRC)</p> <p>(Applicable to Council)</p> <p>The value of land and buildings in PPE under DRC represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.</p>	<p>We:</p> <ul style="list-style-type: none"> • Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations. • Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation. • Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support). • Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets. • Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer. • Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation. • Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

What are our findings and conclusions?

No material audit differences have been identified from our work to address this risk.

Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
<p>Valuation of Housing Revenue Account (HRA) properties</p> <p>(Applicable to Council)</p> <p>The value of HRA properties represents a significant balance in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet and HRA notes. HRA properties are inherently not subject to material uncertainty arising due to market conditions.</p>	<p>We:</p> <ul style="list-style-type: none">• Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.• Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.• Sample tested key asset information used by the valuer in performing their valuation.• Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using the beacon approach.• Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.• Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.• Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.• Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

What are our findings and conclusions?

We identified a difference of £24m where the Council's financial statements had overstated the value of the Council Dwellings as the valuation provided by their external valuation specialist, Wilks Head & Eve had not been properly included. This has been amended in the final version of the financial statements.

Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
<p>Pension Liability Valuation (Applicable to Council)</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £235.3 million based on the unaudited financial statements.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none">• Obtained assurances over the information supplied to the actuary in relation to the Council.• Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.• Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model.• Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
What are our findings and conclusions?	
<p>We were satisfied there was no evidence of material misstatement arising from the work completed above.</p> <p>In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Barnett Waddingham.</p> <p>We have identified one unadjusted audit difference, which relates to the Wandsworth Borough Council's share of Level 3 assets reported by the Wandsworth Pension Fund. The audit of the Pension Fund identified an audit difference between the value included within the Pension Fund Net Asset Statement and the Fund Manager valuation as at 31 March 2022. A proportion of these assets, and therefore the difference in valuation, relates to Wandsworth Borough Council. This totalled £3.2 million. The Pension Fund has not requested the Actuary to issue updated IAS 19 reports in respect of the difference identified and therefore no adjustment has been made on to the Wandsworth Borough Council financial statements. (Contd.)</p>	



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What are our findings and conclusions?

A triennial review of the Wandsworth Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. Management updated the financial statements to reflect this revised IAS 19 report. We have completed our review of the revised disclosures and are satisfied the report has been appropriately reflected in the revised financial statements. We undertook procedures to analyse and understand the movement in the two IAS 19 reports, reviewed the triennial valuation report, and employed an EY pensions specialist to review movements in balances and assumptions. This provided us with sufficient assurance that the balances were not materially misstated.

Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Going Concern Disclosure

(Applicable to Council and Component)

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What did we do?

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings and conclusions?

We have completed our work relating to going concern and are satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report.

Management provided updated disclosures in the financial statements, due to the delay in completing the audit. We have reviewed the underpinning cashflow forecasts and reserves position and we are satisfied the disclosure has been appropriately updated as at March 2024.



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

(Applicable to Council)

In 2020/21, we sample tested the REFCUS balance of £37.1m disclosed within the Council's accounts based on the unaudited financial statements. We identified a number of the items tested within our sample had been incorrectly recorded as REFCUS and reported an extrapolated audit difference.

The most common reason for these errors is that the Council has recognised expenditure incurred in REFCUS for those assets which are currently owned by the Council which is against the basic principle of REFCUS recognition.

Given the volume and value of the errors identified in the prior year, we will undertake specific substantive procedures to verify the classification and value of those items recorded as REFCUS for 2021/22.

What did we do?

We tested REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources as consistent with the procedures detailed in response to the significant and fraud risk "Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure". Our testing included additional focus on the classification of transactions within REFCUS.

What are our findings and conclusions?

We are satisfied that the Council's treatment of REFCUS was not materially misstated, and had been recognised in the financial statements in accordance with the CIPFA Code.



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Community Infrastructure Levy (CIL) Debtors

(Applicable to Council)

As part of our debtors testing for the 2020/21 audit, we identified a difference between the Council's unaudited financial statements, which recorded CIL debtors of £23.7m, and the supporting working paper which suggested the balance is £28m. The Council's listing of CIL debtors therefore did not reconcile to the ledger or accounts, with a difference of £4.24m.

Management has spent a significant amount of time investigating this, but while the Council is confident that the figure in the ledger and accounts is correct, sufficient audit evidence did not exist to support this.

As the reason for this variance is that the Council is maintaining the spreadsheet rather than making invoice-level adjustments directly on the ledger, we have asked the Council to prepare a working paper that properly sets out the CIL debtor position and reconciles to the ledger, to allow us to undertake detailed substantive testing of the balance.

Management will need to undertake a significant exercise to document the CIL income due and the outstanding debtor amount due in preparation for the 2021/22 financial statements.

What did we do?

We obtained the working paper prepared by the Council setting out the debtor position and the reconciliation to the ledger, and challenged any reconciling items included.

We undertook substantive testing of the balance to ensure the debtors included on the balance sheet are fairly stated.

What are our findings and conclusions?

Our testing of the Council's Community Infrastructure Levy (CIL) debtors identified the balance was overstated by £8.97m as the financial statements included an item which had been reversed by a credit note prior to year end. This has been adjusted in the updated financial statements.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH BOROUGH COUNCIL

Opinion

We have audited the financial statements of Wandsworth Borough Council and its subsidiaries (the 'Group') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 49.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 6
- Collection Fund and the related note 1

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Wandsworth Borough Council and the Group as at 31 March 2022 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Council's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.



Audit Report

Draft audit report

Our opinion on the financial statements

Our responsibilities and the responsibilities of the Executive Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council and Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the Narrative Statement set out on pages 4 to 10, other than the financial statements and our auditor's report thereon. The Executive Director of Finance is responsible for the other information contained within the Accounts for the year 2021/22.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects

Responsibility of the Executive Director of Finance

As explained more fully in the Statement of the Executive Director of Finance Responsibilities set out on page 11, the Executive Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the [Group and Council financial statements], in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to



Audit Report

Draft audit report

Our opinion on the financial statements

the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above,

to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Council and determined that the most significant are:

- Local Government Act 1972,
- School Standards and Framework Act 1998,
- Local Government and Housing Act 1989 (England and Wales),
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Education Act 2002 and school Standards and Framework Act 1998 (England)
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- National Health Service Act 2006,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.



Audit Report

Our opinion on the financial statements

In addition, the Group and the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Wandsworth Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified a risk of inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks .

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Group and the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure has been incurred.

To address our fraud risk of management override of controls we implemented a journal entry testing strategy, assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions. This included testing specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Wandsworth Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wandsworth Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.



Audit Report

Our opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Wandsworth Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Pension Fund financial statements

On [date] we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2022 included within the Statement of Accounts.

Certificate

We certify that we have completed the audit of the accounts of Wandsworth Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Wandsworth Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Council and the Group and Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
March 2024



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

Management have adjusted the following misstatements which exceed our reporting threshold of £0.95m

Council Dwelling Valuation:

We identified a difference of £24m where the Council's financial statements had overstated the value of the Council Dwellings as the valuation provided by their external valuation specialist, Wilks Head & Eve had not been properly included.

Section 106:

In preparing the 2021/22 financial statements, officers proposed a prior year adjustment relating to the 2020/21 financial statements relating to the accounting for Section 106 agreements. As we have not been able to issue our Audit Report in respect of the 2020/21 year, rather than a prior year restatement, we requested management make changes to the 2020/21 financial statements before they are signed by the Council, and before we issue our Audit Report. We requested working papers to support the Council's Section 106 transactions and balances in July 2022. We received working papers from which we could start our audit procedures on 1 February 2023, although the information provided remained incomplete and resulted in a number of audit queries. Revised working papers were provided at the end of July 2023. This work resulted in an update to the opening balances within the Council's 2021/22 financial statements as reported in our Audit Results Report for 2020/21, issued in October 2023. Subsequently, adjustment to the 2021/22 balances was as follows:

- An increase to the Section 106 Earmarked Reserve of £60.4m
- An increase to the Capital Grants Unapplied Reserve of £4.68m.
- A decrease in Grants Receipts in Advance – Revenue (current liabilities) of £22.4m
- A decrease in Grants Receipts in Advance – Capital (current liabilities) of £2.56m
- A decrease in Grants Receipts in Advance – Revenue (non-current liabilities) of £35.31m
- A decrease in Grants Receipts in Advance – Capital (non-current liabilities) of £4.8m.

CIL Debtors:

Our testing of the Council's Community Infrastructure Levy (CIL) debtors identified the balance was overstated by £8.97m as the financial statements included an item which had been reversed by a credit note prior to year end.



Audit Differences

Summary of adjusted differences

IAS 19 Pensions:

As noted on page 5, the Council updated the IAS 19 pensions balances to reflect the latest triennial valuation as at 31 March 2022. This resulted in an increase in the Council's Pension Reserve of £110.09m and a decrease in the pension liability by the same amount.

Classification of PPE Assets:

Our testing of Property, Plant and Equipment identified that:

- Kersfield Estate had been incorrectly included with Land and Buildings rather than Assets Under Construction. This adjustment totalled £4.5m.
- Chatham Hall, Northcote Road had incorrectly been included within Land and Buildings rather than Assets Under Construction. This adjustment totalled £1.75m.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 2021/22 (£'000)	OCI Debit/(Credit)	Effect on the current period:		Net assets (Decrease)/Increase		
		Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Known differences:						
➤ Errors identified within Debtor and Creditor Control Accounts			987		(987)	
➤ Overstatement of debtors balance due to incorrect inclusion of an item reversed by a credit note.		6,539	(6,539)			
Projected differences:						
➤ Unaccrued creditors identified through cut-off testing.		4,924			(4,924)	
➤ Over accrued creditors relating to Goods Received not Invoiced		(1,651)			1,651	
➤ Overstatement of Income and Expenditure due to incorrect accounting treatment of internal recharges		6,289 (6,289)				
Cumulative effect of uncorrected misstatements before turnaround effect	-	(9,812)	(5,552)	-	(4,260)	-
Turnaround effect. See Note 1 below.	-	-	-	-	-	-
Cumulative effect of uncorrected misstatements, after turnaround effect	-	(9,812)	(5,552)	-	(4,260)	-

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2022.

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period.



05 Value for Money

Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

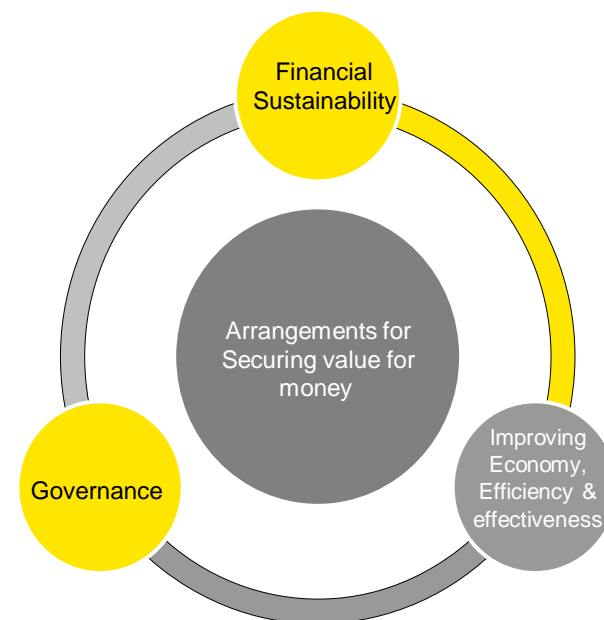
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Audit Committee the outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditors Annual Report.





06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements.

Our work on the Annual Governance Statement is complete and we have no matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have performed those procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, the NAO may request auditors undertake additional procedures at a later date. Until the NAO have notified auditors that this is not the case, we will not be able to issue our audit certificate.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you deficiencies in internal control including group-wide or at components.

We identified five recommendations to management, two of which are in respect of our work on Section 106 accounting and infrastructure assets in the 2020/21 year which remain relevant for 2021/22:

Recommendation	Response
<p>Section 106:</p> <ul style="list-style-type: none">• Personnel at the Council, who have sufficient knowledge of both Section 106 agreements and the associated accounting treatment, should review the agreements to identify the relevant conditions and restrictions.• Personnel at the Council, should use these identified conditions and restrictions and the guidance set out within the CIPFA Code and associated Guidance Notes to determine the applicable accounting treatment, paying particular attention to the classification between liabilities and reserves.• Personnel should ensure that they state, and are able to support, any judgements made in making these determinations	<p>Agreed. Full review and internal process implemented for future years.</p>
<p>Infrastructure Assets:</p> <p>Management will need to ensure they have sufficient infrastructure and accounting records to demonstrate compliance with Code requirements upon the expiration of the Code adaption. This will include ensuring they have a detailed list of the infrastructure assets held, confirmation of their existence and ensure that both the fixed asset register and accounting records are updated.</p>	<p>Officers will analyse current Infrastructure Asset records and work with Highways Engineers to confirm existence, categorisation, accuracy and completeness of records held, with the aim of aligning the fixed asset module with Highways records approximately 6 months before the implementation date (i.e September 2024 for implementation from 1st April 2025). However this is reliant on detailed guidance from CIPFA being received in order to implement changes. The Council recognises there will be ongoing work to maintain synergy between both sets of records.</p>
<p>Income and Expenditure:</p> <p>Through our income and expenditure testing, we identified misstatements where internal recharges were recognised as income within the financial statements. Detailed investigation is required by management to determine the full extent of the misstatement. We recommend the Council reviews income disclosed within the financial statements to ensure it is genuine income and not a recharge.</p>	<p>Agreed. Review will be undertaken.</p>



Assessment of Control Environment

Financial controls (continued)

Recommendation	Response
<p>Journals: Within our testing, we identified some journals whereby the journal request was raised via email, was posted within the General Ledger by a different user, and approved by the user who raised the emailed journal request. Management should ensure that there is an appropriate authorisation process followed for the posting and approval of journals, allowing for appropriate challenge.</p>	
<p>Leases: Management should ensure that their financial statements include a disclosure of future lease payments within the specified age buckets within the CIPFA Code, for operating leases where the Council is a lessor. This will ensure that their financial statements are fully Code compliant.</p>	



08

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1st April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2023

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Planned Fee 2020/21 £
PSAA Scale Fee	86,559	86,559
Total agreed fees:	86,559	86,559
PSAA expected additional minimal core fees (Note 1):	10,000 to 19,000	10,000 to 19,000
• VFM		
• ISA 540 accounting estimates	4,400	4,400
2021/22 fee variation (Note 2)	TBC	TBC
Total proposed fees	TBC	TBC

We have updated the table above to estimate the fee based on the work completed at the point of issuing this report. These figures could change, and need to be communicated with officers and submitted for determination to the PSAA. Any further additional fees for 2021/22 will be communicated to the Executive Director of Finance following the completion of the audit.

(1) In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. PSAA determined a minimum range for VFM (£10k-£19k) and a minimum amount for ISA540 (£4.4k).

(2) The additional fee for 2020/21 and 2021/22 will be discussed with officers before being put forward for PSAA approval, following the completion of our audit.

We have not included any additional fee proposal for the 2021/22 audit at this stage.



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Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework





The changes to our audit approach from the prior year are as follows:

- In the current year we have distinguished between the different land and building valuation methods when identifying our significant and inherent risks in this area.
- We have recognised a new inherent risk for Community Infrastructure Levy (CIL) Debtors in the current year.
- We deemed it appropriate to remove our risk around the accounting treatment of Covid-19 grants in the current year.
- We have removed our area of audit focus relating to the Expected Credit Loss Calculation in the current year.
- In the current year, we have also removed our risk around the group audit and accounting.





Appendix B

Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Outline audit planning report – 7 March 2022 Audit planning report – circulated on 18 August 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Outline audit planning report – 7 March 2022 Audit planning report – circulated on 18 August 2022
Significant findings from the audit	<ul style="list-style-type: none"> • 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 – 15 March 2023 and 15 March 2024

Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	Audit results report – 15 March 2023 and 15 March 2024
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report – 15 March 2023 and 15 March 2024
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report – 15 March 2023 and 15 March 2024
Fraud	<ul style="list-style-type: none"> • 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 • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report – 15 March 2023 and 15 March 2024

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 – 15 March 2023 and 15 March 2024
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • 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 	<p>Outline audit planning report – 7 March 2022</p> <p>Audit planning report – circulated on 18 August 2022</p> <p>Audit results report – 15 March 2023 and 15 March 2024</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report – 15 March 2023 and 15 March 2024
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • 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 – 15 March 2023 and 15 March 2024

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report – 15 March 2023 and 15 March 2024
Group Audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Outline audit planning report – 7 March 2022 Audit planning report – circulated on 18 August 2022 Audit results report – 15 March 2023 and 15 March 2024
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report – 15 March 2023 and 15 March 2024
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report – 15 March 2023 and 15 March 2024
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report – 15 March 2023 and 15 March 2024
Auditors Annual Report	<ul style="list-style-type: none"> Key conclusions from our 2021/22 audit Value for Money commentary 	April 2024

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Janet Dawson
Ernst & Young
1 More London Place
London
SE1 2AF

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Wandsworth Borough Council ("the Group and Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Wandsworth Borough Council as of 31 March 2022 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves.

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 for the Group and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflicts and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council financial statements taken as a whole. We have not corrected

Management representation letter

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these differences identified and brought to our attention by the auditor because...

6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with

laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements, including those related to the COVID-19 pandemic and including those related to the conflict can related sanction in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Group, and committees the Council, Audit Committee and Finance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the

Management representation letter

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5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note

45 to the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 1.2 to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than..... described in Note 6 to the consolidated and Council financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Accounts for the year 2021/22.

2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to matters has been considered and reflected in the consolidated and Council financial statements.

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2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us.

J. Ownership of Assets

1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note 45 to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and Council financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

K. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the useable and unusable reserves.

L. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and Council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and Council financial statements).

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

(1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities,) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and Council financial statements or as a basis for recording a loss contingency.

M. Use of the Work of a Specialist

When the Group or Council has used the work of a specialist, we may include the following representation:

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment properties, IAS 19 pension liabilities and the NNDR appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

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N. Estimates

Valuation of Land and Buildings and Investment Properties Estimate

1. We confirm that the significant judgments made in making the valuation of land and buildings and investment properties estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land and buildings and investment properties estimate.
3. We confirm that the significant assumptions used in making the valuation of land and buildings and investment properties estimate appropriately reflect our intent and ability to carry out provide an accurate valuation of the Group and Council's land and buildings and investment properties behalf of the entity.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings and investment properties estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

IAS 19 Pensions Liability Estimate

1. We confirm that the significant judgments made in making the IAS 19 pensions liability estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used

19 pensions liability estimate.

3. We confirm that the significant assumptions used in making the IAS 19 pensions liability estimate appropriately reflect our intent and ability to provide an accurate valuation of the Group and Council's pensions liability on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 Pensions Liability estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

NNDR Appeals Provision Estimate

1. We confirm that the significant judgments made in making the NNDR appeals provision estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the NNDR appeals provision estimate.
3. We confirm that the significant assumptions used in making the NNDR appeals provision estimate appropriately reflect our intent and ability to provide an accurate valuation of the Group and Council's potential liability arising from NDR appeals.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable

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in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the NNDR appeals provision estimate.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

O. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Executive Director of Finance)

(Chair of the Audit Committee)

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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