

**London Borough of
Hillingdon**
Draft audit results report

Year ended 31 March 2022

4 August 2023



EY

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London Borough of Hillingdon
Hillingdon Civic Centre
225-226 High St, Uxbridge UB8 1UW

4 August 2023

Dear Audit Committee Members

We are pleased to attach our draft audit results report, summarising the preliminary results of our audit.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings to date related to the areas of audit emphasis, our views on London Borough of Hillingdon'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.

We welcome the opportunity to discuss the contents of this report with you at the Committee on 8 August 2023. We will provide an update at the meeting on our plans to close out the audit and communicate our final findings to you.

Yours faithfully

Helen Thompson
Partner
For and on behalf of Ernst & Young LLP
Encl

Contents



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.psa.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 London Borough of Hillingdon in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of London Borough of Hillingdon 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 London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our outline audit planning report presented to the 28 April 2022 Audit Committee meeting, 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, with the following updates.

Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reassessed materiality levels following audit adjustments. We initially performed the majority of our audit work using materiality levels calculated based on draft accounts and are currently undertaking additional work to assess the impact of the final reassessed materiality on the extent of assurance gained through our procedures.

	Planning Materiality	Performance Materiality	Audit Differences Threshold
	Our planning materiality represents 1.8% of the gross operating expenditure, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements greater than 5% of planning materiality.
Planned	£13.7m	£10.3m	£0.69m
Based on draft accounts	£15.9m	£11.9m	£0.79m
Final reassessed	£14.9m	£11.2m	£0.75m

Status of the audit

Our audit work in respect of the Council's opinion has been substantially progressed. A number of items relating to the completion of our audit procedures were outstanding at the date of this report. These are summarised in Appendix E to this report.

Based on the status of our work to date, we expect to issue an unmodified audit opinion. However, as the audit process is ongoing, we will continue to assess the remaining evidence provided and the final disclosures in the financial statements which could influence our final audit opinion. A draft of the current opinion is included in Section 03.

Executive summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. 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

We commented in our progress report to the Audit Committee dated 25 April 2023 that we were undertaking a review of management's responses to our VFM enquiries. We have completed our review and are reporting the following:

- ▶ Our planning on value for money and the associated risk assessment focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria.
- ▶ We have not identified any significant risks regarding the Council's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources.

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

We are reporting uncorrected audit differences greater than our reporting threshold of £0.7m and corrected differences above £11.2m. At the date of writing this report, we have not received an updated set of accounts to reflect all the audit differences we agreed to be corrected since the revised accounts received in Jan 2023.

Uncorrected audit differences expected to stay unadjusted:

- 1) **Pension liability:** judgemental understatement of pension liability due to the Goodwin case of **£2.5m**. This is a recurring audit difference from prior periods (2020/21: understatement of £2.6m) that is likely to recur in future reporting periods until the case is resolved.
- 2) **Property, plant and equipment:** judgemental overstatement of land and buildings values of **£3.9m** due to differences in professional opinion between professional valuers (Wilks Head & Eve and EY Real Estates) on undeveloped land values, external development costs and Central Depot valuation. This is a recurring theme in our reported misstatements from the previous year's audit.
- 3) **Council dwellings:** prior year judgemental audit difference on valuation of council dwellings - overstatement of property values by **£8.6m** due to additions in 2020/21 being valued on an incorrect basis as at 31 March 2021 (historic cost as opposed to EUV-SH).

Uncorrected audit differences that management have agreed to adjust:

- 1) **Health and social care income & expenditure:** overstatement of income and expenditure in the amount of **£41.6m** due to grossing up of income and expenditure relating to the Better Care Fund arrangement. We concluded that the Council should account only for its own share of income and expenditure. We considered the Council's assessment that no restatement of prior period comparatives was required under IAS8 qualitative and quantitative materiality criteria and concurred with their judgement.
- 2) **Housing benefit debtor and creditor:** overstatement of debtors and creditors balance of **£25.3m** due to grossing up balances with the Department for Work and Pensions (DWP) instead of recognising the net balance only.
- 3) **Pension liability:** understatement of defined pension liability by **£21.6m** following the triennial valuation at 31 March 2022 and the update of the IAS19 schedule of results.
- 4) **Property, plant and equipment:**
 - understatement of a sample of land and building values by **£2.5m** due to incorrect gross internal area and land area size used by the Council's external valuers Wilks Head & Eve.
 - overstatement of community assets of **£1.4m** due to the assets being incorrectly revalued, when they are held at depreciated historic cost.
 - overstatement of properties of **£1.6m** which were disposed of but not derecognised.
- 5) **Disclosures:** we also suggested a number of enhancements in disclosures to ease the understanding of the accounts by the users. The most significant are:
 - **Infrastructure assets:** splitting out infrastructure assets as a separate line on the face of the balance sheet and disclosing the movement in a separate note, as well as updating the accounting policies to reflect the new statutory instrument relating to infrastructure assets accounting.
 - **Better Care Fund:** disclosure on the face of the Comprehensive Income and Expenditure Statement ('CIES') to explain why no equivalent net off adjustment was made for the Better Care Fund in 2020/21 comparatives (see impact on 21/22 above under **Health and social care income & expenditure**).
 - **Pensions liability:** amendments to the pensions liability note to reflect the updated schedule of results for March 2022 following the impact on the Council's liability at the balance sheet dates as a result of assumptions used within the triennial valuation update.

Corrected audit differences:

All the corrected misstatements to date fall below the threshold of £11.2m we use to communicate corrected misstatements, thus they are not included in this report.

Executive summary

Other reporting issues

We reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. No issues to report came to our attention.

We received the 2021/22 WGA Group Audit Instructions as issued by the National Audit Office ('NAO') and we confirmed that the Council is under the threshold of £2bn for full audit procedures (threshold is consistent with 2020/21). However, the increase in HM Treasury's local government threshold means that there is a risk the NAO WGA team might require some assurances from auditors of bodies below the threshold. At the date of this report, we have not been informed that the NAO has completed their sample selection for the 2021/22 WGA process. This does not prevent us from completing our audit report, but it will delay the issue of the audit certificate.

The 2020/21 WGA process was announced as complete by the NAO in July 2023 and we were able to issue our audit completion certificate for 2020/21 on 31 July 2023.

We have no other matters to report.

Areas of audit focus

In our outline audit planning report we identified a number of key areas of focus for our audit of the financial report of the 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 and a short summary is presented on the next page.

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, where these have been concluded; and
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

At the time of writing and at this stage in the audit, 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 those charged with governance or management.

Executive Summary

Significant and fraud risks

Risk name	Risk type	Findings & conclusions
Management Override: Misstatements due to fraud or error	Fraud	Our work in this area is complete, subject to final review. We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Risk of inappropriate capitalisation of revenue expenditure	Fraud	We completed our work on this significant risk and did not identify any instances where expenditure was inappropriately capitalised.
Accounting adjustments made in the 'Movement in Reserves Statement'	Fraud	We completed our work and have not identified any issues with management's application of the relevant statutory guidance.
Valuation of land and buildings valued under the Depreciated Replacement Cost ('DRC') method and the Existing Use Value ('EUUV') method	Significant	<p>We engaged our real estates valuation specialists to help us complete this testing. Certain differences of professional opinion between the audit team, management and management's specialist led to judgemental audit differences, which are described and quantified under 'Audit differences' in this executive summary.</p> <p>Although we reported an audit difference of £2.5m with regards to the incorrect gross internal area and land area size used by the Council's external valuers on a sample of assets, management also provided us with their impact assessment of this type of error on the whole portfolio of similar assets. This assessment is subject to our final review.</p> <p>We also received management's assessment of asset values not revalued in the year, where management concluded that there is an estimated £7.5m overall understatement of such assets, which is immaterial for the overall portfolio. This work is under our final review.</p>
Derecognition of infrastructure assets upon subsequent expenditure/ replacement	Significant	<p>This has been a nationwide local government issue. The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have worked on a sector wide approach to resolution of the reporting of infrastructure assets. DLUHC issued a Statutory Instrument, which 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.</p> <p>CIPFA issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets. A CIPFA guidance note was issued in January 2023 to provide further guidance to affected local authorities.</p> <p>The Council provided us with their assessment of the Statutory Instrument application and the updated statement of accounts with the new presentation and disclosure of infrastructure assets. We reviewed the Council's working papers and disclosures and assessed these as reasonable.</p>

Executive Summary

Inherent risks and other areas of audit focus

Other area of audit focus	Risk type	Findings & conclusions
Pension liability	Inherent	<p>Our planned work in this area is prepared and subject to final internal review. This includes our assessment of the impact of the triennial valuation on IAS19 amounts (more details in Section 2 of this report). Based on progress to date, similar to the prior year, we identified a judgemental understatement of pensions liability due to the Goodwin case of £2.5 million, which will remain unadjusted.</p> <p>As a result of the full triennial valuation at 31 March 2022, the Council instructed the actuary to re-run the IAS 19 results as at the reporting date. This resulted in an increase of the pension liability balance by £21.6m, which the Council agreed to update in the accounts.</p>
Valuation of Council Dwellings	Inherent	<p>We obtained sufficient assurance with regards to the valuation of council dwellings at 31 March 2022. However, our review procedures revealed that a number of dwellings added in 2020/21 were only revalued in 2021/22, resulting in a social housing adjusting factor revaluation loss of £8.6m recorded in 2021/22, which should have been recorded in 2020/21. Management has chosen not to restate the comparatives because a restatement is not considered to be material to the users of the accounts. We have reported this as a prior year unadjusted misstatement in section 4 of this report.</p>
Consideration of Group Boundary	Inherent	<p>As a result of our audit work, we concurred with the Council's conclusion that the consolidation requirement was not triggered for this financial year.</p>
Central government grants and other Covid-19 funding streams	Inherent	<p>We selected a sample and tested government grant income to ensure that it was recorded at the correct amount and correctly classified as specific or non-specific in nature. This work has been prepared and reviewed. We established that both grant income and grant expenditure were overstated by £7.5 million. Management corrected this error in the statement of accounts.</p>
Going concern	Area of audit focus	<p>The draft financial statements have been prepared on a going concern basis. Management's assessment of going concern has been provided. However, we are required to update our procedures on going concern up until the reporting date. We will request an updated assessment from management and will complete our work as we close out the audit.</p>

Executive summary

Control observations

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

We have not identified any key control deficiencies as part of the audit process. However, we have a number of observations we bring to your attention in Section 7 of this report.

Independence

In our outline audit planning report presented at the 28 April 2022 Audit Committee meeting, we did not identify any independence issues.

Please refer to Section 9 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Management Override: Misstatements due to fraud or error (*Fraud risk*)

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 and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For the Council, we have assessed that this risk could manifest in:

- ▶ Inappropriate journal entries; specifically manual journals posted by management in the preparation of the financial statements.
- ▶ Significantly unusual transactions entered into by management that are outside of the normal scope of business of the Council.
- ▶ Management bias in key accounting estimates and judgements.

What judgements are we focused on?

We have considered the specific risk of management override in respect of the Council's judgements over capitalisation of revenue expenditure (see over).

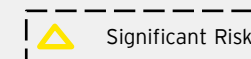
What did we do?

- ▶ Identified fraud risks during the planning stages
- ▶ Asked 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
- ▶ Performed mandatory procedures in relation to journal entries and other adjustments
- ▶ Assessed the nature of significantly unusual transactions
- ▶ Considered if management bias was present in key accounting estimates and judgments in the financial statements

What are our conclusions?

Our testing is complete, subject to final review. We have not identified any:

- ▶ material weaknesses in controls or evidence of material management override;
- ▶ instances of inappropriate judgements being applied; or
- ▶ any other transactions during our audit which appear unusual or outside the Council's normal course of business.





Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

(Fraud Risk)

What is the risk?

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

What judgements are we focused on?

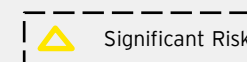
How management decides on the appropriate capitalisation of revenue expenditure.

What did we do?

- Reviewed the capital programme to assess what schemes are included and identify anything unusual or unexpected;
- Reviewed capital expenditure incurred by the Council to ensure that it has been correctly classified as capital rather than revenue; and
- Tested PPE additions with a specific focus on incorrect capitalisation of revenue expenditure.

What are our conclusions?

Our testing is complete as per our work plan. We did not identify any instances where expenditure had been inappropriately capitalised. We have not identified any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error – accounting adjustments made in the ‘Movement in Reserves Statement’
(Fraud Risk)

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

The adjustments between accounting basis and funding basis under regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management could misstate accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning: capital grants; depreciation, impairments and revaluation losses; capital expenditure funded by revenue; and minimum revenue provision.

What judgements are we focused on?

Accounting adjustments made in the Movement in Reserves Statement that could result in a misstatement of the General Fund balance.

What did we do?

- Sample tested REFCUS to ensure the expenditure meets the definition of allowable expenditure, or is incurred under direction from the secretary of state;
- Reconciled entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- Reviewed the Council’s policy and application of the ‘Minimum Revenue Provision’ for reasonableness and compliance with the statutory guidance; and
- Used our data analytics tool to identify and test journal entry adjustments made in the movement in reserves statement.

What are our conclusions?

We completed the work as described. We have not identified any issues with management’s application of the CIPFA guidance and the statutory guidance on Minimum Revenue Provision (‘MRP’) calculation with regards to adjustments made in the movements in reserves statement. We challenged management on the approach to MRP allocation and found management’s approach reasonable. Our testing of REFCUS indicates that the definition of allowable expenditure was met. There are no other matters to report.





Areas of Audit Focus

Significant risk

Valuation of land and buildings valued under the Depreciated Replacement Cost ('DRC') method and the Existing Use Value ('EUV') method

What is the risk?

The current value of land and buildings valued at DRC and EUV represents a significant balance in the Council's accounts, totalling £909m at 31 March 2022. These assets are subject to valuation changes, impairment reviews and depreciation charges.

In calculating amounts recorded in the Council's balance sheet, management is required to make material judgements and apply estimation techniques.

What judgements are we focused on?

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- harder to value assets - such as schools which are valued on a depreciated replacement cost basis;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets and unusual value movement.

What did we do?

- Obtained an understanding of the Council's approach to DRC and EUV assets valuation methodology adopted in 2021/22;
- Determined the impact of any upwards/downwards valuations and based on our materiality levels considered the impact on the 2021/22 financial statements;
- Used our internal valuation specialists to challenge management's assumptions and assertions;
- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;

What are we still working on?

- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considering the annual cycle of valuations to ensure that assets were valued within a 5 year rolling programme as required by the Code. We are also considering if there are any specific changes to assets that have occurred and whether these have been communicated to the valuer;
- Reviewing assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation; and
- Testing that accounting entries have been correctly processed in the financial statements.

See status of our work on the next page.



Areas of Audit Focus

Significant risk

What is the status of our work on valuation of land and buildings valued under the Depreciated Replacement Cost ('DRC') method and the Existing Use Value ('EUV') method?

We instructed EY's real estate valuation specialists to support us with our work in this area due to the complexity of the estimates involved in valuation and the prior period audit differences identified.

We asked our internal valuation specialists to review a sample of assets across the portfolio of assets measured on a DRC and EUV basis.

Certain differences of professional opinion between EY's internal specialist and management's specialist led to judgemental audit differences we report in section 4 of this report.

In the executive summary and in section 4, we reported an audit difference of £2.5m with regards to the incorrect gross internal area and land area size used by the Council's external valuers for a sample of assets we selected for testing. Management also provided us with their impact assessment of this type of error on the whole portfolio of similar assets. This assessment is subject to our review.

We also received management's assessment of asset values not revalued in the year, where management concluded that there is an estimated £7.5m overall understatement of such assets, which is immaterial for the overall portfolio. This work is currently under review.

During our audit procedures, we noted a material balance of assets not revalued in the last 5 years, a minimum mandated by the CIPFA Code. We reviewed this balance in detail and challenged management on existence and valuation of a selection of assets. As a result of our challenge, management identified a number of assets with a net book value of £1.6m which were no longer in use but had not been derecognised from the accounts. Management agreed to correct this error in the accounts. There are no other material findings resulting from our work on the assets not revalued in the last 5 years, however this work is still subject to final internal reviews.

In addition, in Section 7 of this report, we highlighted recommendations for improvement in the valuation process.

Apart from the items above, our work is complete subject to final internal reviews.



Areas of Audit Focus

Significant risk

Derecognition of infrastructure assets upon subsequent expenditure/replacement

What is the risk?

An issue was raised via the NAO's Local Government Technical Group that some local authorities were not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. Asset registers do not tend to record infrastructure capital expenditure with sufficient detail and geographical specifics to enable identification of prior cost of replaced parts/components and related accumulated depreciation. So, it can be challenging to identify the cost and accumulated depreciation balances that need to be derecognised.

The government issued a statutory instrument as an amendment to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (Regulation 30M) which considers the treatment of the amount to be derecognised where there is replacement expenditure. It allows that where a local authority in England replaces a component of an infrastructure asset, for the purposes of determining the carrying amount to be derecognised in respect of that component, the authority is able to determine that the amount to be derecognised is nil. The instrument also allows for the infrastructure assets opening balance to be brought forward without amendment and it allows reporting on a net basis for infrastructure assets.

What judgements are we focused on?

How the Council interpreted and implemented the statutory instrument in its accounts.
The reasonableness of economic useful lives applied by the Council to the various components of infrastructure assets and the componentisation of historical bulk brought forward balances.

What did we do?

- Reviewed the updated presentation and disclosure of infrastructure asset balances and disclosures following the application of the statutory instrument.
- Challenged the reasonableness of the economic useful lives applied by the Council to the various components of infrastructure assets and the componentisation of historical bulk brought forward balances.
- Reviewed the sensitivity analyses prepared by the Council.

What are our conclusions?

- We concluded that the Council's adopted useful lives applied to infrastructure assets' components were reasonable in the context of the recommended lives as per CIPFA guidance and the results of the sensitivity analyses.
- The componentisation of infrastructure assets balance used in the sensitivity analyses was consistent with the historical records of the Council.
- The updated presentation and disclosures proposed by management are in line with the CIPFA guidance.
- In light of the above, we concluded that the closing balance of infrastructure assets is fairly stated.





Areas of audit focus

Other areas of audit focus

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

What is the risk/area of focus?

Pension Liability Valuation

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 Hampshire County Council (transferred from Surrey County Council in September 2021).

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.

The information disclosed is based on the IAS 19 report issued to the Council by the actuaries to the relevant Pension Funds.

Accounting for this scheme involves significant estimation and judgement and therefore management engages a actuaries to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What are we doing?

The pension liability and related disclosures in the draft statement of accounts were based on an IAS19 report which included estimates based on roll forward of the information and assumptions in the March 2019 triennial valuation. The Council obtained an updated IAS19 report in March 2023 following the release of the March 2022 triennial valuation. This resulted in an increase in the net pension liability of £21.6m.

Our work in this area is prepared and subject to review. To date, we performed the following procedures based on the original IAS19 schedule of results before the triennial update:

- Liaised with the auditors of Hillingdon Pension Fund (also EY) to obtain assurances over the information supplied to the actuary in relation to London Borough of Hillingdon;
- Assessed the work of the Pension Fund actuary including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Considered the materiality of the 'Goodwin' judgement on the Council's IAS19 disclosures.
- Engaged EY pensions experts to develop our own estimated liability amount based on the same actuarial inputs. This enabled us to respond to the enhanced ISA540 standard for auditing estimates.

We are updating our procedures above following the provision of the updated IAS19 schedule of results reflecting the triennial valuation at 31 March 2022.

Similar to prior year, we identified a judgemental understatement of pensions liability due to the Goodwin case of £2.5 million, which management have chosen not to adjust.

Audit risks

Other areas of audit focus (continued)

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

What is the area of focus?	What did we do?
<p>Valuation of Council Dwellings</p> <p>The carrying amount of council dwellings represents a significant balance in the Council's accounts and is subject to impairment reviews, depreciation charges and revaluation changes. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>Our work comprised, but was not limited to:</p> <ul style="list-style-type: none">▶ Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;▶ Sample testing beacon values and the correct classification of assets in beacons;▶ Considering the reasonableness of the desktop review performed by the valuer in 2021/22;▶ Reviewing the reasonableness of the revaluation gains/losses recorded in the year;▶ Ensuring assets at year end are revalued using the correct basis for valuations EUV-SH; and▶ Testing whether accounting entries were correctly processed in the financial statements. <p>Our work is complete and we reported a prior year judgemental audit difference on valuation of council dwellings - overstatement of property values by £8.6m due to additions in 2020/21 being valued on an incorrect basis as at 31 March 2021 (historic cost as opposed to EUV-SH).</p>
<p>Consideration of Group Boundary</p> <p>During 2018/19, the Council created a housing company, Hillingdon First Limited. Depending on the qualitative consideration of and quantitative size of the company, the finance team will need to consider the preparation of Group Accounts.</p>	<p>We reviewed the Council's assessment of the need to prepare Group Accounts as a result of transactions occurring within the subsidiary within the financial year.</p> <p>We have not identified any issues with regards to management's approach not to consolidate Hillingdon First Limited in the 2021/22 accounts on grounds of materiality.</p>



Areas of audit focus

Other areas of audit focus (continued)

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

What is the risk/area of focus?

Central government grants and other Covid-19 funding streams

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council needed to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2021/22 statements.

What did we do?

We considered the Council's judgement on material grants received in relation to whether it is acting as:

- An Agent, where it has determined that it is acting as an intermediary; or
- A Principal, where the Council has determined that it is acting on its own behalf.

We have selected a sample of Covid-19 grants received in year, for each item in our sample we have reviewed the Council's accounting treatment as agent or principal.

We have completed our work on Covid-19 grants and concluded that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal. We have no findings to report on this matter.



Areas of audit focus

Other areas of audit focus (continued)

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

What is the risk/area of focus?

Assessment and disclosures on Going Concern

There are a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources.

There remains 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 significant risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Council's assessment will also need to cover this period. The Council is then 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 are we doing?

We are required to meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

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

Management's assessment of going concern has been provided. However, we are required to update our procedures on going concern up until the reporting date. We will request an updated assessment from management and will complete our work as we close out the audit.



03 Audit Report



Draft Audit Report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON

Opinion

We have audited the financial statements of London Borough of Hillingdon ('the Authority') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash Flow Statement, Statement of Accounting Policies, Restatement of 2020/21 Comparatives, Expenditure and Funding Analysis, and the related Notes to Main Financial Statements 1 to 45; the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 8; the Collection Fund Account and the related notes 1 to 3; and the Notes to Hillingdon First Limited.

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 London Borough of Hillingdon 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 Authority 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 Corporate 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 Authority's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate 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 Authority's ability to continue as a going concern.



Draft Audit Report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON

Other information

The other information comprises the information included in the Statement of Accounts for the year to 31 March 2022, other than the financial statements and our auditor's report thereon. The Corporate Director of Finance is responsible for the other information.

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 Authority
- ▶ 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 Authority 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 Corporate Director of Finance

As explained more fully in the Statement of the Corporate Director of Finance Responsibilities set out on page 15, the Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the 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 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 Corporate 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 Corporate Director of Finance is responsible for assessing the Authority'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 Authority either intends to cease operations, or has no realistic alternative but to do so.



Draft Audit Report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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 Authority and determined that the most significant are:

- ▶ Local Government Act 1972,
- ▶ Local Government and Housing Act 1989 (England and Wales),
- ▶ Local Government Finance Act 1988,
- ▶ 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,
- ▶ 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.

In addition, the Authority 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 London Borough of Hillingdon is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Corporate Director of Finance, Interim Head of Internal Audit, Borough Solicitor and Monitoring Officer, and Chairman of the Audit Committee 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 Authority's committee minutes, through enquiry of employees to confirm Authority's policies, and through the inspection of 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.



Draft Audit Report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON

We assessed the susceptibility of the Authority'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 management override of controls, inappropriate capitalisation of revenue expenditure and accounting adjustments made in the Movement in Reserves Statement to be our fraud risks.

To address our fraud risk of management override of controls, we tested 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. We also tested other adjustments made in the preparation of the financial statements, assessed accounting estimates for evidence of management bias, evaluated the business rationale for significant unusual transactions, and tested related party transactions and disclosures.

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

To address our fraud risk of accounting adjustments made in the Movement in Reserves Statement, we reviewed the adjustments made in the movements in reserves statement with reference to CIPFA guidance and checklists and consistency with other relevant areas of the accounts. We also reviewed the Council's policy and application of the minimum revenue provision.

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 London Borough of Hillingdon 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 London Borough of Hillingdon put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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, London Borough of Hillingdon 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.



Draft Audit Report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of London Borough of Hillingdon. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

This report is made solely to the members of London Borough of Hillingdon, 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
[Date]



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 and unadjusted differences

We are reporting uncorrected audit differences greater than our reporting threshold of £0.7m and corrected differences above £11.2m. At the date of writing this report, we have not received an updated set of accounts to reflect all the audit differences we agreed since the revised accounts received in January 2023.

There are no adjusted differences to date above our performance materiality level of £11.2m, arising from work completed to date. We highlight the following misstatements to the financial statements and/or disclosures which management decided not to correct. 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. Narrative detail on these differences is included in Sections 1 and 2.

This is a summary of uncorrected audit differences that management agreed to adjust and which exceed our threshold for reporting corrected differences:

- 1) **Health and social care income & expenditure:** overstatement of income and expenditure in the amount of **£41.6m** due to grossing up of income and expenditure relating to the Better Care Fund arrangement. We concluded that the Council should account only for its own share of income and expenditure.
- 2) **Housing benefit debtor and creditor:** overstatement of debtors and creditors balance of **£25.3m** due to grossing up balances with the Department for Work and Pensions (DWP) instead of recognising the net balance only.
- 3) **Pension liability:** understatement of defined pension liability by **£21.6m** following the triennial valuation at 31 March 2022 and the update of the IAS19 schedule of results.



Audit Differences

This is a summary of audit differences which management opted not to amend in the final version of the accounts.

Uncorrected misstatements 31 March 2021 (£'000)	Effect on the current period:		Effect on the prior period:	Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	CIES Debit/(Credit)	OCI Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Judgemental differences:							
▸ Valuation of Net Liabilities Related to Defined Benefit Pension Schemes: Difference arising due to the Goodwin case	2,490						(2,490)
▸ Valuation of land and buildings: Difference arising from external costs and undeveloped land values	3,910				(3,910)		
▸ Valuation of council dwellings: Due to timing of valuation of new properties in 20/21			8,595				
Total Judgemental Differences	6,400		8,595		(3,910)		(2,490)



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 controls 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.

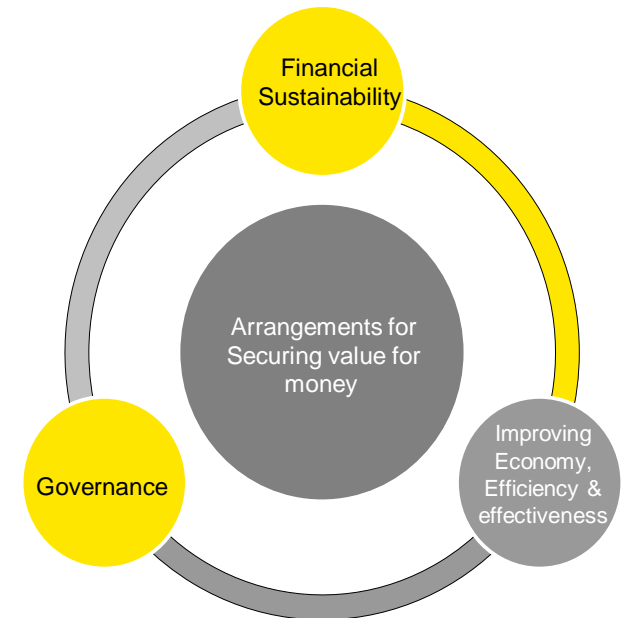
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have completed our planning work and have noted the following:

- ▶ Our planning on value for money and the associated risk assessment focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria.
- ▶ We have not identified any significant risks regarding the Council's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources, and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

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 Auditor's Annual Report, including our VFM commentary, at the same time as issuing the Auditor's Report on the financial statements.





06 Other reporting issues

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 for the year to 31 March 2022 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.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements.

We are in the process of reviewing the consistency of other financial information in the Statement of Accounts for the year to 31 March 2022.

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 received the 2021/22 WGA Group Audit Instructions as issued by the National Audit Office ('NAO') and we confirmed that the Council is under the threshold of £2bn for full audit procedures (threshold is consistent with 2020/21). However, the increase in HM Treasury's local government threshold means that there is a risk the NAO WGA team might require some assurances from auditors of bodies below the threshold. At the date of this report, we have not been informed that the NAO has completed their sample selection for the 2021/22 WGA process. This does not prevent us from completing our audit report, but it may delay the issue of the audit certificate.

The 2020/21 WGA process was announced as complete by the NAO in July 2023 and we were able to issue our audit completion certificate for 2020/21 on 31 July 2023.

We have no other matters to report.

Other reporting issues

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 Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). Up to the date of our procedures, we have not identified 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 Council'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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations.

Up to the date of this report, we have nothing in respect of other matters that we need to bring to the attention of the Audit Committee.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial controls and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal controls 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 controls we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal controls that might result in a material misstatement in your financial statements of which you are not aware. However, we identified certain control recommendations we would like to bring to your attention:

Significant accounting judgements:

- In relation to the audit difference reported in Audit Differences section on the Better Care Fund, we recommend the Council retains detailed documentation to support their judgement on significant accounting issues. The documentation should demonstrate that the accounting treatment is in line with the requirements of the CIPFA Code of Practice. Retention of detailed documentation of management judgments can aid consistency in management practices, it can improve continuity of functions in case of an emergency disruption, and it adds efficiencies in the audit process.

Property, plant and equipment related:

- In Section 1 and 4, we reported a prior period unadjusted audit difference which relates to the timing of valuation of council dwellings. In this respect, we recommend that management improve the internal controls around the timing of valuation of additions to council dwellings due to the potentially significant impact that the social housing discounting factor can have on the revaluation.
- In Section 1 of this report, we listed a number of audit adjustments related to property, plant and equipment bookkeeping, such as: incorrect valuation method used for a number of community assets, untimely derecognition of disposed assets, incorrect gross internal areas used in valuation of some assets. We recommend improving processes around accounting for property, plant and equipment as this represents a significant balance in the Council's accounts.
- As noted in Section 2 under the significant risk 4, we are still in the process of reviewing management's assessment of asset values not revalued in year because this information was provided to us with a significant delay. In a market environment where property prices are likely to fluctuate significantly year on year partially due to high inflation, hybrid working culture shift, but also other factors, we recommend that the Council reviews its portfolio of assets not revalued in year at each reporting date and before finalising the accounts. This will ensure that the valuations used for preparing the accounts are materially in line with the CIPFA Code, which requires Councils to consider annually those assets not revalued in year for material accuracy. This will also aid a smooth and cost efficient audit process.
- During our audit procedures, we noted a material balance of assets not revalued in the last 5 years, a minimum mandated by the CIPFA Code. We recommend that the Council revisits its portfolio valuations to ensure all assets are revalued once every 5 years at a minimum. We also recommend that the Council revalues some assets from each asset category every year to assess any potential material movements per category of assets where not all are revalued in the year.



08 Data Analytics



Management Override of Controls

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

We applied a digital audit approach to testing journals in 2021/22. This means that we used EY data analytics tools to identify journals with higher risks throughout the audit. The journals we reviewed focused on higher risk transactions, such as journals with unusual correlations, journals posted around the year-end, journals showing unusual patterns.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We completed our sampling and testing of journals by making use of our data analytics tools in combination with supporting evidence provided by management and do not have findings to report on their appropriateness and reasonableness.



09

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 your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, 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 2020 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 table below sets out a summary of the fees for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

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, other than those listed in the following table. The final fee for 2020/21 was approved by the PSAA and it only represents a proportion of the costs we incurred and submitted for PSAA's consideration. We are yet to conclude our proposed additional fee for 2021/22.

	Planned fee 2021/22	Final Fee 2020/21
	£	£
Scale Fee (Note 1)	121,096	121,096
PSAA expected additional minimal core fees: (Note 2)		
- VFM	10,000 to 19,000	14,752
- ISA 540 accounting estimates	4,400	9,793
- Covid-19 grants, property valuations, etc. (Note 3)	TBC	48,873
- Increased FRC challenge	TBC	8,750
Total current scale and additional fees	TBC	203,264
Non-audit services (Housing Benefits)	TBC	30,600
Non-audit services (Housing Capital Receipts)	8,500	7,900
Non-audit services (Teacher's Pensions)	14,500	13,500
Total other non-audit services	TBC	52,000

All fees exclude VAT

Notes:

- We proposed an increase of £82,728 to the scale fee. This was revised by PSAA and an increase of £21,750 was approved for 2022/23 with the 2021/22 scale fee remaining unchanged.
- 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).
- The breakdown of this fee for 2020/21 is as follows:
 - Covid-19: £16,579
 - Pension valuation: £5,241
 - Restatement of EFA, consultation: £4,068
 - PPE valuation: £10,625
 - Use of EY experts: £10,635
 - Quality or preparation issues: £1,725
- Fees for the auditor's consideration of correspondence from the public and/or formal objections will be charged in addition to the scale fee.

Other communications

EY Transparency Report 2022

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 reporting period from 3 July 2021 to 1 July 2022:

[EY UK 2022 Transparency Report | EY UK](#)

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background shows the perforated metal of the cabinet shelves.

10 Appendices



Appendix A

Audit approach update

We summarise overleaf 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

Appendix A

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Debtors	Substantively tested all assertions	Substantively tested all assertions	No change
Creditors	Substantively tested all assertions	Substantively tested all assertions	No change
Investments	Substantively tested all assertions	Substantively tested all assertions	No change
Property, Plant & Equipment	Substantively tested all assertions	Substantively tested all assertions	No change
Cash & Cash Equivalents	Substantively tested all assertions	Substantively tested all assertions	No change
Borrowing	Substantively tested all assertions	Substantively tested all assertions	No change
Capital grants receipts in advance	Substantively tested all assertions	Substantively tested all assertions	No change
Net Liabilities Related to Defined Benefit Pension Schemes	Substantively tested all assertions	Substantively tested all assertions	No change
Usable and Unusable Reserves	Substantively tested all assertions	Substantively tested all assertions	No change

Appendix B

Summary of communications

Date 	Nature 	Summary 
Throughout the year	Meetings, calls and emails.	The Audit Partner and Senior Manager have been in regular contact with the Corporate Director of Finance and the finance team in respect of the Council's risks, audit timeline and resource planning, accounts closedown and the audit approach.
April 2022	Audit planning report	We shared our audit planning report with management and presented it to the audit committee.
September 2022, November 2022, January 2023, April 2023,	Audit progress reports	We presented audit progress reports to the audit committees and presented our initial results at the respective audit committees, invited members to ask questions and engaged in dialogue with management and the committee members about outstanding issues and plans to progress open audit areas.
All Audit Committee meetings held in the year and up to date	Committee attendance	The Audit Partner and Manager have attended the meetings of the Audit Committee held throughout the financial year and to the date of issue of this report. Specific reports issued and communications with the Committee are detailed in Appendix C.

In addition to the above specific meetings the audit team met with the finance team multiple times throughout the audit to discuss audit progress and findings.





Appendix C

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.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. 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 - April 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 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available





Appendix C

		 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 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
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 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
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. 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available




Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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: <ol 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. 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
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 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
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 	Outline Audit Planning Report - April 2022 This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence 	
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. 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
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 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available

Appendix C

		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. 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
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 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
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 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Outline Audit Planning Report - April 2022 This Draft Audit Results Report - August 2022 Final Audit Results Report - to be shared with members as soon as available

Management representation letter

Provisional Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Helen Thompson
Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Hillingdon ("the Authority") 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 financial statements give a true and fair view of the financial position of London Borough of Hillingdon as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with 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)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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 the Accounts and Audit Regulations 2015 and 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)).
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the 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 Authority 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)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has 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 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), 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 on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

Management representation letter

Provisional Management Rep Letter

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 financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [council to fill in e.g. We do not agree that items [specify items in question] constitute differences because [specify reasons for disagreement]].

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

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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 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 Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial improprieties;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority'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 Authority'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 financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Authority, Cabinet and Audit Committees or summaries of actions of recent meetings for which minutes have not yet been prepared held through the financial year to 31 March 2022 to the most recent meetings up until the audit opinion date.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority'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 period 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 financial statements.

Management representation letter

Provisional Management Rep Letter

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 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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

7. From 3 April 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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 to the 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 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. There were no guarantees that we have given to third parties during the year ended 31 March 2022.

E. Going Concern

1. Note 19 to the financial statements discloses all the matters of which we are aware that are relevant to the Authority'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 39 to the 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 period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Leader's Statement, the Narrative Report and the Glossary.

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

I. Comparative information - corresponding financial information

1. The Authority's internal structure was altered with certain service departments now reporting to different directorates. As such, the comparative figures for services relating to the General Fund in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis, have been restated from the amounts published in the 2020/21 accounts.

2. The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

Management representation letter

Provisional Management Rep Letter

J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the 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. We have no line of credit arrangements.

K. Reserves

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

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of council dwellings, other land and buildings and surplus assets classified as property, plant & equipment, valuation of pension liabilities and assets, and estimation of fair value of financial liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

M. Estimates

Valuation of council dwellings, other land and buildings and surplus assets classified as Property, Plant and Equipment and of Pension Assets and Liabilities (the 'Estimates')

1. We confirm that the significant judgments used in making the Estimates 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 Estimates.
3. We confirm that the significant assumptions used in making the Estimates appropriately reflect our intent and ability to carry out the valuations on behalf of the entity.
4. We confirm that the disclosures made in the 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 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)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the Estimates.
6. We confirm that no adjustments are required to the accounting Estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.



Appendix D

Management representation letter

Provisional Management Rep Letter

N. 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,

Corporate Director of Finance

Chairman of the Audit Committee

For the accompanying schedule of unadjusted audit differences, please refer to section 4 of this report, table "Uncorrected misstatements"

Appendix E – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Annual Report and accounts	Incorporation of final EY audit differences agreed with management and final accounts review by EY	EY and management
Significant, fraud and inherent risks	As detailed in section Areas of Audit Focus of this report	EY and management
Other significant accounts relevant for the audit, not captured under the Areas of Audit Focus	A number of significant accounts are pending completion of EY's second level reviews. Further queries might arise from this review, which EY might have to raise with management.	EY and management
Additional samples as a result of reassessed materiality	EY is selecting additional samples on a limited number of accounts as a result of our reassessed materiality following audit adjustments. These will require supporting evidence from management.	EY and management
General execution audit procedures	EY to complete documentation and reviews of general audit procedures	EY
Management representation letter	Receipt of signed management representation letter	EY, management and audit committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Signed Annual Report and accounts	Receipt of signed Annual Report and accounts	Management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in the section on Audit Report.

EY | Assurance | Tax | Transactions | Advisory

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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