

**Worthing Borough
Council**
Audit results report
Year ended 31 March 2021

July 2022



Worthing Borough Council
Worthing Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

25 July 2022

Dear Councillor Barrett

2020/21 Audit Results Report

We are pleased to attach our audit results report. Following the delegation of authority from the Joint Governance Committee in January 2022 to you to approve the 2020/21 financial statements, we provide this report to confirm the status of the audit. We will update you at our meeting scheduled for 28 July 2022 on further progress to that date and explain the remaining steps to the issue of our final opinion. This report updates the previous version of the report presented to the Joint Governance Committee on 25 January 2022. We will formally present the final version of this report to the Committee on 27 September 2022 to allow all members the opportunity to discuss our findings and conclusions.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Worthing Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Joint Governance 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 on 28 July 2022.

Yours faithfully

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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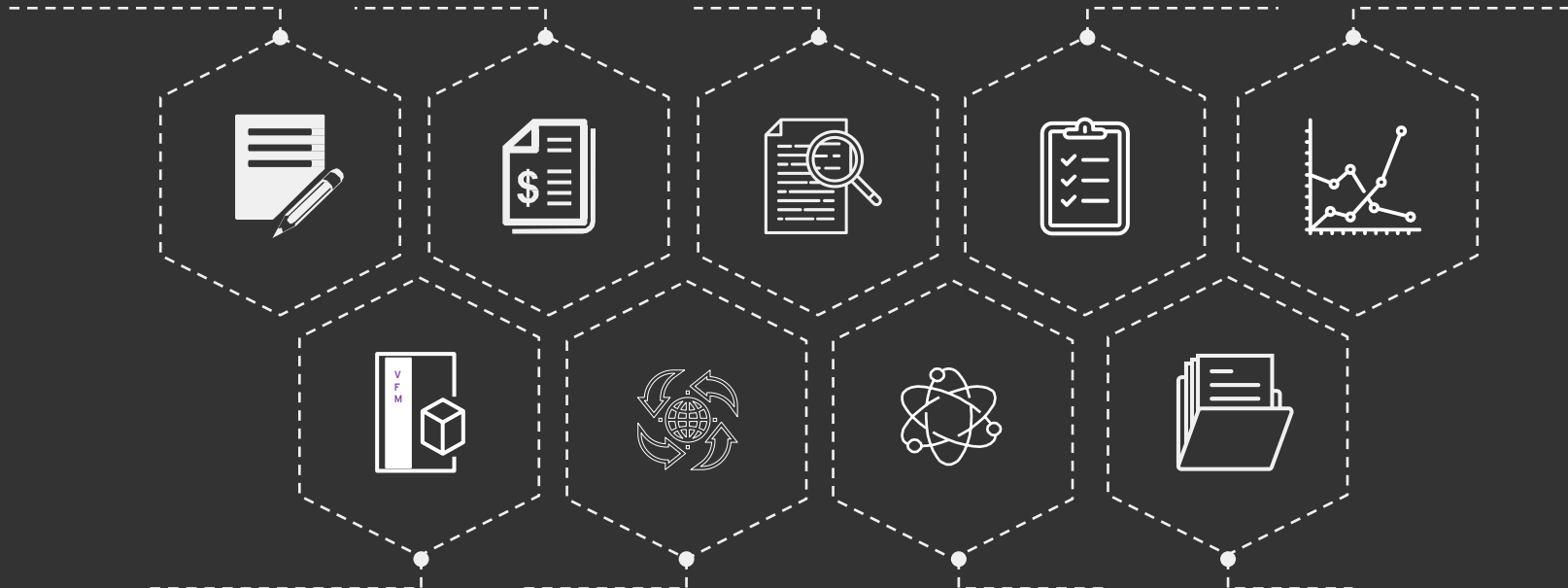
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 Joint Governance Committee and management of Worthing Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Governance Committee, and management of Worthing Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Governance Committee and management of Worthing Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report and updated planning report presented to the 27 May 2021 and 28 September 2021 Joint Governance Committee meetings respectively, 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 exceptions:

► Changes in materiality

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £1.5m (Audit Planning Report – £1.4m). This results in updated performance materiality, at 75% of overall materiality, of £1.1m, and an updated threshold for reporting misstatements of £75k.

► Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

- **Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:
 - Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
 - Agreed IPE to scanned documents or other system screenshots.

Status of the audit

Our audit work in respect of the audit opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Final completion of our work on the revaluation of land and buildings classified as property, plant and equipment, investment property and surplus assets following the resolution of differences between our internal valuation specialists and the Council's valuer;
- Final check of the updated financial statements after completion of all outstanding procedures
- Final consideration of the subsequent events up to the date of the audit opinion;
- Receipt of a signed letter of management representation
- Final review of key working papers;
- Whole of Government Accounts: We have yet to receive the NAO instructions on this for 2020/21.

We expect to issue our audit report by the end of July 2022.



Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Status of the audit - Value for Money

In the updated audit planning report presented to the Joint Governance Committee on 28 September 2021, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

Executive Summary

Audit differences

- ▶ There were 3 unadjusted differences at 25 July 2022 which we set out in more detail in Section 4 Audit Differences.
- ▶ There were 3 misstatements greater than £1.1m at 25 July 2022 which have been corrected by management.
- ▶ A small number of other amendments were made to the disclosures appearing in the financial statements as a result of our work.

As elements of our audit work are ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Joint Governance Committee at the meeting on 25 July 2022 if we identify any issues by the time of the meeting.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. The guidance from HM Treasury was released in June 2022. However, we have not yet received the group audit instructions on which our work is based. The delay in completion of our WGA procedures does not impact the audit opinion, but will delay the issue of our audit certificate.

We have no other matters to report.

Areas of audit focus

In our audit planning report, and subsequent update, 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.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	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.
Inappropriate capitalisation of revenue expenditure	Our sample testing of additions to PPE: <ul style="list-style-type: none"> • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. Our review of judgements taken by management found them to be reasonable.



Executive Summary

Areas of audit focus (cont.)

Significant risk	Findings & Conclusions
Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV)	We employed the use of our own expert to support the work in relation to the valuation of land and buildings in PPE under EUV and IP under FV. Our work is nearing completion in this area as at 25 July 2022 and is subject to review. From our work performed, we have identified material differences that require changes to the valuations: 2 of these have been adjusted in the financial statements; and a further 2 differences have been included as unadjusted judgemental differences. Further details are set out in Sections 2 and 4 of this report.
Area of audit focus / Inherent risk	Findings & Conclusions
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC)	We employed the use of our own expert to support the work in relation to the valuation of land and buildings in PPE under DRC. Our work is complete in this area and is subject to review. From our work performed, we have identified a material difference that required a change to the property's valuation. This difference has also been adjusted for in the financial statements. Consequently, we are satisfied that the valuation of these properties are fairly stated and appropriately disclosed. Further details are set out in Section 2 of this report.
Pension Liability and Asset Valuation (Inherent risk)	We modified our planned approach to address the requirements of the revised auditing standard on accounting estimates by testing the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. We have completed our work and are satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed. Further details are set out in Section 2 of this report.
Going Concern (Area of audit focus)	We have reviewed management's going concern assessment and confirm their conclusion that the Council remains a going concern is based on reasonable and supportable assumptions. We have also reviewed management's going concern disclosure and confirmed it is sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.
Accounting for Covid-19 related government grants (Inherent risk)	Based on our work, we are satisfied 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, the underlying conditions of the grant and whether those conditions had been met.
Accounting treatment for infrastructure assets	We have modified our planned approach to address an issue in relation to the accounting for infrastructure assets on a sector-wide basis. Based on our work we are satisfied that the Council has sufficient information available and is compliant with the Code.



Executive Summary

Areas of audit focus (cont.)

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

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

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

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of the key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. However, we have identified areas within the Council's approach to valuation that should be considered in the preparation of future financial statements.

Independence

Please refer to Section 8 for our update on Independence.



02

Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

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.

What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - Inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on the valuation of Land & Buildings in PPE under EUV and IP under FV as significant risk, and the valuation of Land & Buildings in PPE under (DRC), and IAS19 pension estimates as areas of higher inherent risk and are reported further in this report.

What did we do?

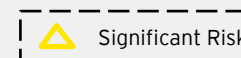
We have performed the procedures described in our original audit plan. Please see the following page for full details.

What are our conclusions?

We have completed our work and:

- ▶ We have found no evidence that management had attempted to override internal controls.
- ▶ We have not identified any instances of inappropriate judgements being applied.
- ▶ We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.





Areas of Audit Focus

Significant risk



Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.

We have:

- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.

We have performed mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Assessing accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to the revaluation of PPE, IP & surplus assets and pension liability and asset valuation.
- ▶ Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required - See the next page for further details.



Areas of Audit Focus

Significant risk

Risk of misstatements due to fraud or error – specifically in inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What judgements are we focused on?

We focused on whether expenditure was properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

What did we do?

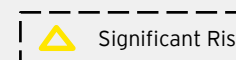
Our approach focussed on:

- ▶ For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- ▶ We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- ▶ Journal testing - we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.
- ▶ Revenue Expenditure Funded by Capital Under Statute (REFCUS) - We extended our testing of items that were classified as REFCUS in the year by lowering our testing threshold. We challenged management's classification to ensure that items were appropriately included in this category. Expenditure that is classed as REFCUS is mainly in the form of capital grants where the Council does not receive an asset on the Balance Sheet.

What are our conclusions?

We have completed our work:

- ▶ Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.
- ▶ Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.
- ▶ From our work, we identified misstatement below our performance materiality which was subsequently corrected by management. We are consequently satisfied that the expenditure under REFCUS was appropriately classified.
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes





Areas of Audit Focus

Significant risk

Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV).

What is the risk?

The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

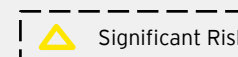
At 31 March 2021, the value of land & buildings in PPE under EUV was £54.7m and in IP under FV was £75.5m.

What did we do?

Our approach focussed on:

- ▶ Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Challenging the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation; or investments in areas of the economy under stress such as retail;
- ▶ Sampling testing key asset information used by the valuers in performing their valuation (e.g. yield);
- ▶ Considering the annual cycle of valuations to ensure that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewing any EUV and FV properties not subject to valuation in 2020/21 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 accounting entries have been correctly processed in the financial statements.

We have performed the procedures described in our original audit plan. Please see the following page for full details.





Areas of Audit Focus

Significant risk



Further details on procedures/work performed

At 25 July 2022 our work in this area is nearing completion and subject to review. From our work performed to date, we have:

- ▶ Considered the work performed by the Council's internal valuer and confirmed that the scope of the work performed is adequate, they had the appropriate professional capabilities to complete the work and the results of their work is largely in line with our expectations.
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our valuation specialists. This included considering significant or unusual movements in valuation and investments in areas of the economy under stress, such as retail.
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- ▶ Confirmed that the valuation was undertaken to ensure all assets required to be valued in line with the Council's five year rolling programme had been completed, and that all investment property had been revalued in year as required by the Code.
- ▶ Assessed those assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated.
- ▶ Tested accounting entries to ensure they have been correctly processed in the financial statements.

During the audit, the audit team reviewed the revaluation of 21 properties selected from PPE at EUV amounting to £10.312m and 6 properties from IP at FV amounting to £31.078m, in addition to the properties reviewed by EY Real Estate detailed below. The audit team challenged the key assumptions underpinning these valuations by the Council's specialist through discussions with the Council, consulting EYRE on these appropriateness of the assumptions used and assessing these valuations in line with EYRE's findings. No reportable differences were identified from the review of these valuations.

The audit team further performed a 'stand back' consideration from the review of the EYRE memo, in combination with the work performed and challenges raised, to ensure that we obtained appropriate assurance.

We have the following findings to report in relation to this work:

Use of EY Real Estate:

Our real estate specialist (EYRE) was engaged to review the valuation of 7 properties selected from PPE at EUV and IP at FV. From this review, 4 properties were found to have a value outside of a reasonable range of valuations established by EYRE for each asset.

▶ Land and Buildings in PPE at EUV:

EYRE challenged the appropriateness of the uncertainty risk and yield deferment used in the Land at Decoy Farm valuation of £6.349m. The Council's valuers consequently revised their valuation to £8.730m that falls within our acceptable range, and management has agreed to amend the value of PPE in the Statement of Accounts accordingly. Further details are set out in Section 4 - Audit Differences



Areas of Audit Focus

Significant risk



Further details on procedures/work performed (continued)

► **Properties in IP at FV:**

EYRE challenged the appropriateness of the yields used in valuing the Beta Building of £11.358m, Unit 11D South Marston Park of £11.080m and 1450 Parkway Solent Business Park of £4.314m, as well as the void periods applicable to the latter. The Council's valuer consequently revised the valuation of the Beta Building to £10.147m, and this will be amended in the Statement of Accounts.

However, differences between EYRE and WHE valuations of Unit 11D South Marston Park and 1450 Parkway Solent Business Park. The net valuation difference of £184k is outside our acceptable range. However, whilst the net position exceeds our reporting threshold, it is below performance materiality. We have reported these as unadjusted differences in Section 4 - Audit Differences.

From the work performed above, our internal real estate specialists identified a number of drivers to the differences in underlying valuation assumptions of the properties above. The key ones of these are:

- The Council's application of yields that do not appropriately consider relevant purchase costs when determining a market value; and
- Certain property values at year end that did not account for changes in market conditions since their valuation on the first day of the financial period.

We have included these points in section 7 as areas for the Council to consider in preparing for the 2021/22 audit. We will provide an update to the Committee on 28 July 2022.

Audit risks

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.

What is the area of focus?

Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC)

The value of land & buildings in PPE under DRC properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2021, the value of land & buildings in PPE under DRC was £68.2m.

What did we do?

Our approach focussed on:

- ▶ Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Challenging the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation, or difficult to value specialist assets;
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);
- ▶ Considering the annual cycle of valuations to ensure that properties have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewing properties not subject to valuation in 2020/21 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 accounting entries have been correctly processed in the financial statements.

We have performed the procedures described in our original audit plan. Please see the following page for full details.



Areas of Audit Focus

Other areas of audit focus (continued)



Further details on procedures/work performed

At 25 July 2022 our work in this area is complete and subject to review. From our work performed to date, we have:

- ▶ Considered the work performed by the Council's internal valuer and confirmed that the scope of the work performed is adequate, they had the appropriate professional capabilities to complete the work and the results of their work is largely in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our valuation specialists. This included considering significant or unusual movements in valuation and investments in areas of the economy under stress, such as retail;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre);
- ▶ Confirmed that the valuation was undertaken to ensure all assets required to be valued in line with the Council's five year rolling programme had been completed;
- ▶ Assessed those assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; and
- ▶ Tested accounting entries to ensure they have been correctly processed in the financial statements.

During the audit, the audit team reviewed the revaluation of 5 properties selected from PPE at DRC amounting to £18.526m, in addition to the properties reviewed by EY Real Estate detailed below. We challenged the key assumptions underpinning these valuations by the Council's specialist through discussions with the Council, consulting EYRE on these appropriateness of the assumptions used and assessing these valuations in line with EYRE's findings. No reportable differences were identified from the review of these valuations.

The audit team further performed a 'stand back' consideration from the review of the EYRE memo, in combination with the work performed and challenges raised to ensure that appropriate assurance was obtained across the portfolio of assets valued by the Council's valuer that contributes to our material assurance over their valuation.

We have the following findings to report in relation to this work:

- ▶ Use of EY Real Estate:
Our real estate specialist (EYRE) was engaged to review the valuation of the Worthing Leisure Centre of £18.711m selected from PPE at DRC. EYRE challenged the appropriateness of the build and external costs, obsolescence factor and land value used in valuing this property. The Council's valuers consequently revised their valuation to £14.559m, and management has agreed to amend value of PPE in the Statement of Accounts accordingly. Further details are set out in Section 4 - Audit Differences.

Similar to page 16, this difference was caused by the property value at year end not accounting for changes in market conditions since their valuation on the first day of the financial period. We have included this in section 7 as an area for the Council to consider in preparing for the 2021/22 audit.

We will provide an update to the Committee on 28 July 2022.

Audit risks

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Net Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.</p> <p>The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £15.1m.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ Obtained assurances over the information supplied to the actuary in relation to the Council; ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▶ Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.</p>	<p>Our planned work in this area is now complete. Subsequent to our planning reports, an issue had arisen across all local government audits in relation to the impact of the revised auditing standard on accounting estimates.</p> <p>We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, were able to access the detailed models of the actuaries in order to evidence these requirements. We therefore modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. The results of this exercise showed the actuarial estimate to be accurate within a reasonable range.</p> <p>From our work performed, we have identified a unadjusted misstatement pertaining to the valuation of the pension fund assets at reporting date. This misstatement is below our performance materiality threshold. However, we are satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed.</p>

Audit risks

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Going Concern</p> <p>Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.</p> <p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.</p> <p>However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.</p> <p>To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p>	<p>We have met the requirements of the revised auditing standard on going concern (ISA 570) and considered the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> ▶ 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 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. 	<p>Management's initial going concern assessment was for the period up to 30 September 2022, but subsequently updated to cover the period up to 31 July 2023. We have reviewed management's initial and updated going concern assessments and confirm that their conclusion that the Council remains a going concern is based on reasonable and supportable assumptions.</p> <p>From our initial review of the going concern disclosure we identified areas for improvement which were addressed by management in its subsequent disclosure of the going concern. Based on our work performed, the revised going concern disclosure is sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.</p>

Audit risks

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Accounting for Covid-19 related government grants</p> <p>We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none">▶ Agent, where it has determined that it is acting as an intermediary; or▶ Principal, where the Council has determined that it is acting on its own behalf. <p>For grants received where the Council acted as principal, we have further considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.</p>	<p>Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants and accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.</p>



Areas of Audit Focus

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Accounting treatment for infrastructure assets</p> <p>Subsequent to issuing our audit plan, an issue was raised with the NAO LG technical network in March 2022 in relation to the accounting for infrastructure assets on a sector-wide basis. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.</p> <p>CIPFA is currently considering potential amendments to the Local Authority Code of Accounting Practice in this area. The level of risk associated with this balance may increase once CIPFA has concluded its consideration of the Code.</p>	<p>We have reviewed the Council's fixed asset register and:</p> <ul style="list-style-type: none">▶ Discussed the procedures applied by the Council to ensure the subsequent capital spend is recognised in accordance with the Code, i.e., where the subsequent expenditure concerns the replacement of a part/component, appropriate procedures are performed to identify and derecognise the carrying amount of the old part/component (and any associated accumulated depreciation).▶ Identified that additions of £213k and derecognitions of £139k were recognised in 2020/21. Equivalent additions of £171k and derecognitions of £57k were also recognised in 2019/20.▶ Confirmed that expenditure is identifiable at a reasonable level to allow replacement spend to be identified and matched against the previous asset;▶ Reviewed entries and identified from the descriptions that there is no indication or risk of replacement, or that they are clearly for different assets.▶ Tested the continued existence of infrastructure assets at the balance sheet date.	<p>Based on our work we are satisfied that the Council has sufficient information available and is compliant with the Code.</p>



03

Audit Report



Audit Report

Draft audit report

Our draft opinion on the financial statements

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

Opinion

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the related notes 1 to 40; the Collection Fund Income and Expenditure Account and the related notes 1 to 5.

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 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2021 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 2020/21.

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 below. 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 Chief Financial Officer'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 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer 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.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Chief Financial Officer 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.

Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

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;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ 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;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- ▶ 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 2021.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 32, the Chief Financial Officer 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the members determine 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 Chief Finance Officer 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 have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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



Audit Report

Draft audit report (cont.)

Our draft opinion on the 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 council and determined that the most significant are:
 - Local Government Act 1972,
 - School Standards and Framework Act 1998,
 - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - Local Government Act 2003,
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
 - The Local Government Finance Act 2012,
 - The Local Audit and Accountability Act 2014, 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 Worthing Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- ▶ We assessed the susceptibility of the 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 inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- ▶ To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- ▶ 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. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

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

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, Worthing Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Worthing Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Council and the Council'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 differences

We highlight the following misstatements greater than £1.1m as at 25 July 2022 which will be corrected by management that were identified during the course of our audit:

Corrected misstatements 31 March 2021 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Judgemental differences:						
<ul style="list-style-type: none"> ▶ Valuation of Land and Buildings included in PPE using DRC: Judgemental differences identified in the property below. Further details have been outlined in section 2. <ul style="list-style-type: none"> ○ Worthing Leisure Centre, Shaftesbury Ave 	4,152			(4,152)		
<ul style="list-style-type: none"> ▶ Valuation of Land and Buildings included in PPE using EUV: Judgemental differences identified in the property below. Further details have been outlined in section 2 <ul style="list-style-type: none"> ○ Land at Decoy Farm 		(2,381)		2,381		
<ul style="list-style-type: none"> ▶ Valuation of properties included in IP using FV: Judgemental differences identified in the property below. Further details have been outlined in section 2 <ul style="list-style-type: none"> ○ Beta Building, 121 Kings Road 		1,211		(1,211)		




A small number of other amendments were made to disclosures appearing in the financial statements as a result of our work.



Audit Differences

Summary of unadjusted differences

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

Uncorrected misstatements 31 March 2021 (£'000) 		Effect on the current period: 	Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Judgemental differences:						
<ul style="list-style-type: none"> ▸ Valuation of properties included in IP using FV: Judgemental differences identified in the properties below. Further details have been outlined in section 2. 						
<ul style="list-style-type: none"> ○ 1450 Parkway, Solent Business Park 		364		(364)		
<ul style="list-style-type: none"> ○ Unit 11D South Marston Park, Broodmoor Road 		(180)		180		
Known differences:						
<ul style="list-style-type: none"> ▸ Pension fund liabilities and assets valuation: Differences in the pension fund assets of £492k identified. 	(492)					492



05

Value for Money



Value for money

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

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

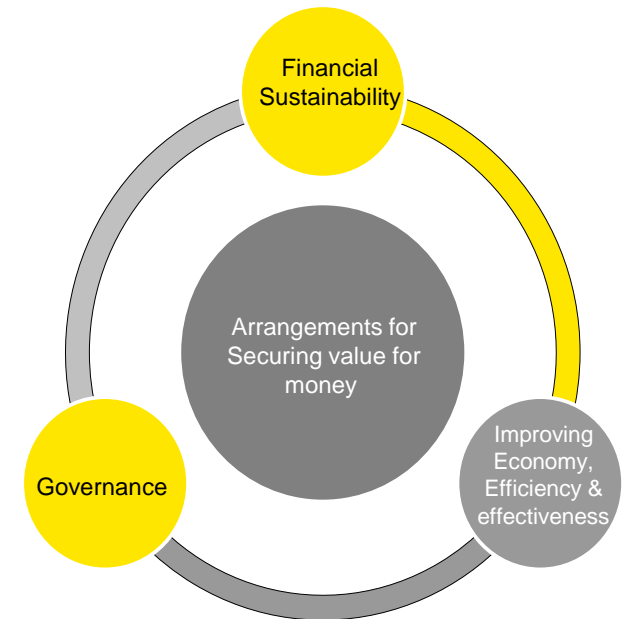
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its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

Risk assessment

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

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary by the end of October 2022 as part of issuing the Auditor's Annual Report.





06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements.

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

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

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

Whole of Government Accounts

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

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. The guidance from HM Treasury was released in June 2022. However, we have not yet received the group audit instructions on which our work is based.

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").

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

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the 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;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures:

Subsequent to issuing our audit plan, an issue was raised with the NAO LG technical network in March 2022 in relation to the accounting for infrastructure assets on a sector-wide basis. In section 2, we set out the work we did in response to the issue, and concluded the Council had appropriate arrangements in place to comply with the Local Authority Code of Accounting Practice. However, CIPFA is currently considering potential amendments to the Code and this may change the level of risk, and associated work, in subsequent years once CIPFA has concluded its consideration of the Code.

Any significant difficulties encountered during the audit:

The 2020/21 financial statements audit has taken longer than anticipated due to issues arising from our work on the valuation of land & buildings in PPE and IP as detailed in section 2 and 4 above, as well as the sector-wide impact by the Covid-19 pandemic and working offsite. Revised auditing standards in respect to auditing accounting estimates have significantly impacted our nature and extent of audit work around the valuation of land & buildings in PPE and IP which required greater involvement of internal real estate specialists. These factors, together with resource constraints within our internal specialist team and differences in professional opinions on certain property valuations that required further collaboration to resolve, impacted on the conclusion and finalisation of the audit. We have reported our findings to date with all necessary adjustments affected to the financial statements. We recognise this has been an very challenging year for the Council and its finance team as they have continued to be stretched in their response to Covid-19 issues.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

However, we have the following issue to bring to your attention:

Valuation of land and buildings in PPE and IP:

As outlined in section 2 and 4 of this report, material differences were identified in the valuation of land and buildings including in PPE and IP. These arose from specific factors that drove a difference in professional judgement between EYRE, our valuation specialist, and management's valuer, Wilks Head & Eve. We set these out in more detail here to provide management, and those charged with governance, an opportunity to consider these in future valuations.

- ▶ **Valuation date:** the Council's current policy is for valuations to be prepared as at 1 April of the financial year, ie for the year ending 31 March 2021, the valuation was undertaken as at 1 April 2020. For market based valuations, this will inevitably lead to differences in judgement, as we are required to consider the valuation as at the reporting date, and we ask our specialist to undertake their review as at 31 March. Events including, but not restricted to, lease break points, rent reviews and comparable market evidence will influence the valuation in any year; but for 2020/21, the impact of the pandemic continued to have a significant impact on market based valuations. We recommend the Council amends its policy to revalue closer to the end of the financial year, eg 31 December, which would reduce the impact of market changes.
- ▶ **Purchase costs:** the management specialist uses a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered.
- ▶ **Comparative market evidence:** in completing our review of the management specialist assumptions, our specialist tends to use comparable market evidence to support valuation assumptions. In discussions on the differences identified between the management specialist and EYRE, it was clear the Council's property team had a good understanding of their properties and could provide information to support certain assumptions. We recommend the Council reviews the valuation report received from their specialist against their own detailed knowledge and challenge where there appear to be obvious discrepancies, and request evidence from the specialist if required, before the valuation report is finalised and in advance of the detailed audit work.



08

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1 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 that are due to us for the year ended 31 March 2021 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.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
PSAA scale fee	36,311	36,311	36,311
Scale fee rebasing (Note 1)	31,724	Nil	
Revised proposed scale fee	68,035	36,311	
In-year scale fee variation:			
▶ PSAA pre-approved additional fee for VFM and ISA540:			
• VFM (Note 2)	6,000 to 11,000	6,000 to 11,000	24,712 (Determined by PSAA - Note 1)
• ISA 540 - Accounting estimates (Note 2)	2,500	2,500	
▶ 2020/21 proposed fee variation - other (Note 3)	TBC	Nil	
Total audit related fees	TBC	44,811 to 49,811	61,023
Non-audit work - Housing benefit subsidy claim	27,510	17,510	16,010
Total fees	TBC	62,321 to 67,321	77,033

Notes - Please see next page

All fees exclude VAT

Relationships, services and related threats and safeguards

Notes to fee table

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £31,724. This was based on the amount we shared with the Council in 2019/20. We also submitted a further in-year fee variation of £31,324 for the 2019/20 audit. PSAA has determined the total fee variation across both elements for 2019/20 as £24,712. We expect similar costs in nature in 2020/21 and subsequent years. However, PSAA has stated that this will need to be determined each year.

Note 2 - 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. The figures included here are the minimum additional fee ranges set out in this document.

Note 3 - Any further additional fees (over and above VFM and ISA540) for 2020/21 will be communicated to the CFO following the completion of the audit.

Other communications

EY Transparency Report 2021

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK 2021 Transparency Report | EY UK](#)







09

Appendices





Appendix A

Required communications with the Joint Governance 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 Joint Governance 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.	Audit Planning Report presented to the Joint Governance Committee on 27 May 2021.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>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.</p>	Audit Planning Report presented to the Joint Governance Committee on 27 May 2021.
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.




Appendix A

		 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 	No conditions or events were identified, either individually or together to raise any doubt about Worthing Borough Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Joint Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Joint Governance Committee responsibility. 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.




Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report presented to the Joint Governance Committee on 27 May 2021.</p> <p>Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.

Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
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 Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of. 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
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 	<p>Audit Planning Report presented to the Joint Governance Committee on 27 May 2021.</p> <p>Audit Results Report and updated Audit Results Report presented to the Joint Governance Committee on 25 January 2022 and 28 July 2022 respectively.</p>

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Helen Thompson
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 Worthing Borough Council ("the Council") for the year ended 31 March 2021. 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 Council financial position of Worthing Borough Council as of 31 March 2021 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 2020/21.

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 2020/21.
2. We acknowledge, as members of management of the Council, 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 Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 Council, we believe that the Council 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 2020/21, 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.
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 as they represent immaterial differences in:

Management representation letter

Management Rep Letter

- ▶ Pension asset valuations between the estimates used for the actuary IAS19 reports and the final audited values, and
- ▶ Property, Plant and Equipment valuations due to judgemental differences in opinion between the technical experts within EY and those commissioned by Council.

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

1. We acknowledge that we are responsible to determine that the Council'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 Council (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 Council's financial statements;
 - ▶ related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - ▶ involving management, or employees who have significant roles in internal controls, or others; or

- ▶ in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ▶ Additional information that you have requested from us for the purpose of the audit; and
 - ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the 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 Council, Worthing Cabinet, Joint Governance Committee and Joint Strategic Committee held through the year to the most recent meeting of the Council on 21 July 2022, Worthing Cabinet on 31 January 2022, Joint Governance Committee on 27 July 2022 and Joint Strategic Committee on 5 July 2022.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the 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

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. We have disclosed to you, and the Council 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 the date of our last management representation letter at 16 December 2020 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, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than Note 5 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 Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council 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.

Management representation letter

Management Rep Letter

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Notes 15 and 17 to the financial statements, we have no other line of credit arrangements.

I. Reserves

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

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment property, and IAS19 pension fund liability, 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.

K. Estimates

- i. **Revaluation of land and buildings classified as property, plant and equipment, and investment property**
 - ii. **Pension liability and asset valuation**
1. We confirm that the significant judgments made in making the revaluation of land and buildings classified as property, plant and equipment, investment property, and the pension liability and asset valuation 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 land and buildings classified as property, plant and equipment, investment property, and the pension liability and asset valuation.
3. We confirm that the significant assumptions used in making the land and buildings classified as property, plant and equipment, investment property, and the pension liability and asset valuation appropriately reflect our intent and ability to carry out these 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 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
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.

L. 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.

Appendix B

Management representation letter

Management Rep Letter

Yours faithfully,

(Chief Financial Officer)

I confirm that this letter has been discussed on 28 July 2022.

(Chairman of the Joint Governance Committee)

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