

**Staffordshire County
Council**
Audit Results Report
Year ended 31 March 2021

November 2023



EY

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30 November 2023



Audit and Standards Committee
Staffordshire County Council
No's 1 and 2 Staffordshire Place
Tipping Street
Stafford
ST16 2DH

Dear Audit and Standards Committee Members:

2020/21 Audit Results Report

We are pleased to attach our Final Audit Results Report which provides an update to our Audit Results Report dated the 6 December 2021 and to our Audit Progress Reports in August 2022, September 2022 and December 2022.

We have completed our audit of Staffordshire County Council's 2020/21 financial statements for the year ended 31 March 2021 subject to completion of the closing procedures detailed on page 5 of this report. We have performed the procedures outlined in our Audit Planning Report and will provide a verbal update at the 12 December 2023 Audit and Standards Committee as to the status of the outstanding procedures detailed on page 5.

Subject to satisfactory completion of the final conclusion procedures set out below we expect to issue an 'unqualified opinion' on the Council's financial statements in the form at section 03 of this report.

This report is intended solely for the use of the Audit and Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

Yours faithfully

Hassan Rohimun
Partner
For and on behalf of Ernst & Young LLP
Encl

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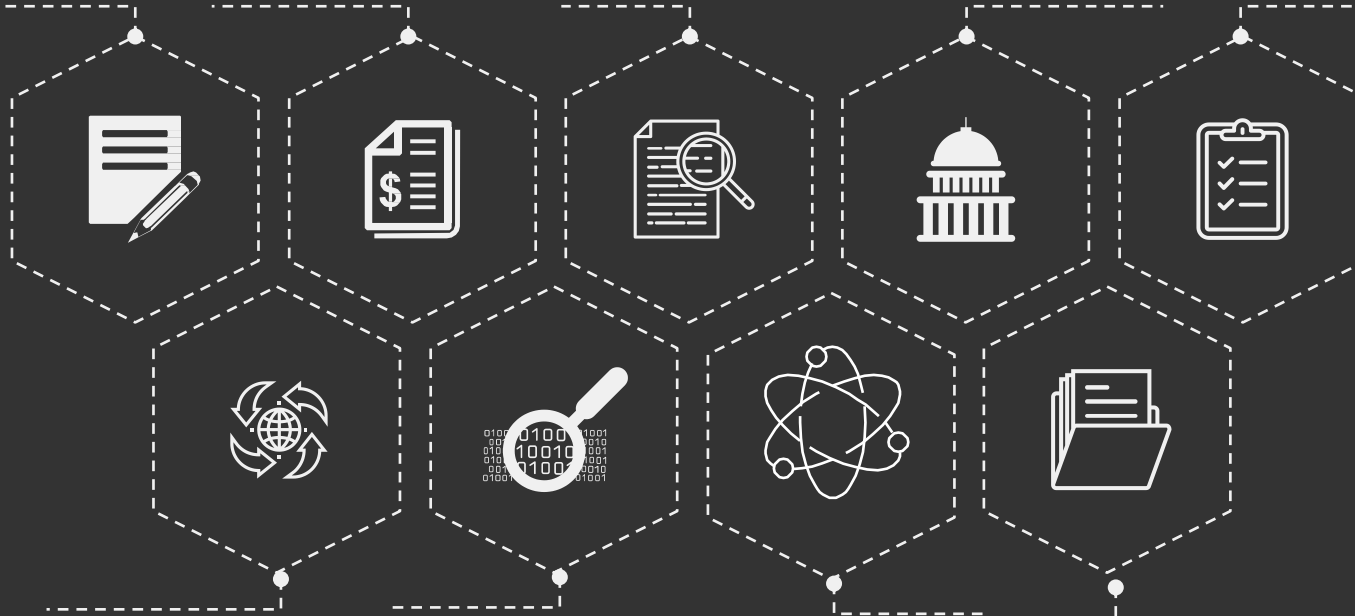
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 Audit and Standards Committee and management of Staffordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, and management of Staffordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee and management of Staffordshire County 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 Provisional Audit Plan dated the 2 March 2021, 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:** In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £10.9 million. As communicated in our December 2021 Audit Results Report, we updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £11.5 million. This results in updated performance materiality, at 50% of overall materiality, of £5.8 million, and an updated threshold for reporting misstatements of £0.6 million.

Changes to reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

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.

Executive Summary

Scope update (continued)

Infrastructure Assets Accounting

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code, these assets are held at depreciated historic cost. 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 accumulated depreciation are therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

DLUHC issued a Statutory Instrument which came into effect on the 25 December 2022 which allowed for a temporary change in accounting rules in this area giving Authorities the option to account for Infrastructure Assets on a net rather than gross basis. CIPFA also released an update to the Local Authority Accounting Code and a Local Authority Accounting Panel (LAAP) bulletin was issued which provided practitioners guidance on how they should account for Infrastructure Assets should an Authority wish to adopt the Statutory Instrument.

As detailed in section 02 of this report the Council adopted the Statutory instrument which resulted in a number of changes to the Financial Statements over which we were required to perform additional audit procedures to gain assurance that adjustments made were in line with the Statutory Instrument and the guidance released by CIPFA.

Pension Liability

In March 2023 the Council's actuary released the March 2022 triennial valuation which reports the actual position for 2019/20 to 2021/22. We were required to perform additional audit procedures to assess the impact of the March 2022 valuation on the Council's 2020/21 pension liability. From the additional procedures undertaken we did not identify any misstatements to the pension liability as a result of the March 2022 triennial valuation.



Executive Summary

Status of the audit

We have completed our audit of the Staffordshire County Council financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Audit Plan subject to completion of the closing procedures detailed below.

Closing Procedures:

- ▶ Review of the final version of the financial statements. We are working with officers to agree a final version of the financial statements;
- ▶ Completion of subsequent events review;
- ▶ Receipt of the signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Subject to satisfactory completion of the outstanding items above, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 03.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Status of the audit - Value for Money

We identified two risks of significant weakness in arrangements:

- ▶ Financial Sustainability of the Council
- ▶ Governance

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 05). We plan to issue the VFM commentary by the end of January 2024 as part of issuing the Auditor's Annual Report.

Audit differences

We have identified a number of audit differences which management have agreed to adjust. Further details of these audit difference can be found in section 04 of this report.

There is one audit difference relating to the valuation of the Staffordshire Health and Well-being Centre which management have decided not to adjust. This results in an understatement of assets value by £1.48 million; see Section 04 for further information.

We identified a number of audit disclosure differences in the draft financial statements which management have adjusted other than one difference regarding the Council's Exit Packages note 29. The note does not fully comply with the CIPFA code of practice as it does not provide an analysis of compulsory redundancies and other departures. See Section 04 of this report for further information.

Executive Summary

Areas of audit focus

In our Provisional Audit Plan we identified a number of key areas of focus for our audit of the financial report of Staffordshire County 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 02 of this report.

Risk of fraud in revenue and expenditure recognition: Recognition of income and expenditure in relation to disabled facilities grants, covid-19 related grants, dedicated schools grants and public health grants

- We have completed our work in this area and have no matters to report.

Risk of fraud in revenue and expenditure recognition: Inappropriate cut-off of revenue expenditure and non-grant income at the year-end date

- We have completed our work in this area and have no matters to report.

Risk of fraud in revenue and expenditure recognition: Inappropriate capitalisation of revenue expenditure

- We have completed our work in this area and have no matters to report.

Management Override: Misstatements due to fraud or error

- We have completed our work in this area and have no matters to report.

Significant Risk: Valuation of land and buildings

- We have completed our work in this area and have identified a number of audit adjustments relating to this risk, see section 02 for further details.

Inherent Risk: Accounting for disposals of schools converting to academies

- We have completed our work in this area and have no matters to report.

Inherent Risk: Pensions valuations and disclosures

- We have completed our work in this area and have identified one audit adjustments relating to this risk, see section 02 for further details.

Other area of focus: Accounting for the PFI waste scheme

- We have completed our work in this area and have no matters to report.

Inherent Risk: Group Accounts

- We have completed our work in this area and have no matters to report.

Other area of audit focus: Accounting for the PFI waste scheme

- We have completed our work in this area and have no matters to report.

Other area of audit focus: Going Concern Compliance with ISA 570

- We have completed our work in this area. The Council have updated the Going Concern disclosure, see section 02 for further details.

Other area of audit focus: Infrastructure Assets

- We have completed our work in this area. The Council have amended the Financial Statements to reflect the required changes in accounting for these assets.

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

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

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

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have requested additional disclosure to be made to the draft Annual Governance Statement which management agreed to amend.

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. The WGA group audit team have confirmed they do not require any further work or submissions from component auditors on WGA returns for 2020/21.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from undertaking the audit we have identified weaknesses in the Council's preparation of the accounts and supporting working papers. We include details of the issues identified, actions taken to date by the Council and areas for improvement in section 07.

Independence

Please refer to Section 08 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risks

Fraud Risk - Risk of fraud in revenue and expenditure recognition

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. Taking into account the results of the 2019/20 audit we consider the risk manifests itself in the following areas:

- ▶ Recognition of income and expenditure in relation to disabled facilities grants, covid-19 related grants, dedicated schools grants and public health grants;
- ▶ Inappropriate cut-off of revenue expenditure and non-grant income at the year-end date resulting in transactions being recorded in the wrong financial period; and
- ▶ Inappropriate capitalisation of revenue expenditure which could result in a misstatement of the cost of services reported in the comprehensive income and expenditure statement.

What did we do and what judgements did we focus on?

To address this risk we:

- ▶ Selected a sample, responsive to our risk assessment, of grants received by the Council in the year, reviewed the conditions attached to the grant to ensure that the income (and associated expenditure) had been appropriately recognised in accordance with the accounting framework;
- ▶ Tested the year end cut-off of expenditure and non-grant income to ensure that transactions had been recorded in the appropriate financial period;
- ▶ We used our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically to;
 - i. the accounting entries for pass through grants; and
 - ii. those that move expenditure to PPE balance sheet general ledger codes; and
- ▶ Performed sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to confirm recognition is in accordance with accounting policies.

What are our conclusions?

We have completed our work in this area.

Our testing of grant income and expenditure did not identify any transactions that had been incorrectly recognised.

Our testing of year end cut-off of expenditure and non-grant income did not identify any transactions that had been recorded in an inappropriate financial period.

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.

Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Areas of Audit Focus

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

What did we do?

We have completed our standard procedures to address the fraud risk, which included:

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Reviewed and discussed with management any changes the methodologies of existing and new accounting estimates, which include accruals and provisions, for evidence of bias.

What are our conclusions?

We have completed our work in this area.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

Our testing of journals did not identified adjustments outside of the normal course of business. All journals tested have appropriate rationale.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.



Areas of Audit Focus

Significant risks - continued

Significant Risk - Valuation of land and buildings

What is the risk?

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. The fair value of other land and buildings represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. The Council has a rolling valuation process, which annually values 20% of the land and building assets. The process is subject to a number of assumptions and judgements, which if inappropriate could result in a material impact on the financial statements. There is also a potential that the remaining 80% of assets not formally revalued in year may have experienced a material change in value which has not been identified and accounted for appropriately.

What did we do and what judgements did we focus on?

To address this risk we:

- Documented our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- Evaluated the competence, capabilities and objectivity of management's specialist;
- Reviewed the terms of engagement and instructions issued to the valuer to ensure these are consistent with accounting standards, and assess if the instruction includes a specific instruction from the council to the valuer relating to an assessment on the unvalued population;
- Engaged our valuation specialists to support our testing strategy and help evaluate the work of the Council's valuer specifically to assess if the movement on the unvalued population has been addressed appropriately;
- Engaged our valuation specialists to support our testing strategy and evaluate the work of the Council's valuer;
- Performed appropriate tests over the completeness and appropriateness of information provided to the valuer;
- Reviewed the classification of assets and ensure the correct valuation methodology has been applied;
- Ensured the valuer's conclusions have been appropriately recorded in the accounts; and
- Reviewed assets not subject to formal revaluation in 2020/21, to confirm that the remaining asset base was not materially misstated.



Areas of Audit Focus

Significant risks - continued

Significant Risk - Valuation of land and buildings (continued)

What are our conclusions?

We have completed our work in this area.

We did not identify any issues from our review of the process and controls in place.

We did not identify any issues with the competence, capabilities and objectivity of management specialist not with the terms of engagement and instructions issued to the valuer.

The valuer's conclusions have been appropriately recorded in the accounts

We have reviewed the Council's assets not subject to formal revaluation in 2020/21, and confirmed that these are not materially misstated.

We have engaged our internal valuation specialist to support our testing strategy over the testing of assumptions and methodologies applied to a sample of assets valued by the Council's external valuers. This testing and the audit teams testing of a sample of assets did not identify any material differences. We did however identify the following differences:

- Our EY valuation expert concluded that the gross valuation of the Staffordshire health and well-being centre. was understated by £1.48 million as it fell below their expected valuation range. Management have decided not to adjust for this misstatement.
- Misstatement of £1.2 million due to the valuation of the building element of one asset being double counted resulting in an overstatement of Property, Plant and Equipment. Management have agreed to adjusted for this difference.
- Misstatement of £3.6 million due to the one Surplus Assets being incorrectly valued resulting in an overstatement in Property, Plant and Equipment. Management have agreed to adjusted for this difference.

Further details of these adjustment can be found in section 04 of this report.



Areas of Audit Focus

Other Areas of Audit Focus - continued

Inherent Risk - Accounting for disposals of schools converting to academies

What is the risk?

In previous years the Council has seen a number of schools convert to academy status and move out of the Local Education Authority's control.

When a school converts to academy status it should be treated as a 'disposal' by the Council at the point of transfer.

The inherent risk relates to the existence of schools assets included in the Council's statement of financial position at 31 March 2021.

What did we do and What judgements are we focused on?

To address this risk we:

- ▶ Used the Department for Education academy school conversions listing to test a sample of schools to confirm if the disposal has been accounted for in the correct financial year.

What are our conclusions?

We have completed our work in this area.

Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions.

Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.



Areas of Audit Focus

Other Areas of Audit Focus - continued

Inherent Risk - Pension Valuation Liability - LGPS

What is the risk?

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 Staffordshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that the net liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and what judgements did we focus on?

To address this risk we:

- ▶ Liaised with the auditors of Staffordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Staffordshire County Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC - Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering the corresponding reviews performed by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

ISA 500 & 540 requires auditors to test the method of measurement of accounting estimates to determine whether the actuaries 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 local government audits, were able to access the detailed models of the actuaries in order to evidence these requirements. This issue impacted the audits of all Local Government bodies and in order to conclude our work we modified our planned approach and undertook additional procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance.

What are our conclusions?

We have completed our work in this area. We received assurance from the Staffordshire Pension Fund auditors in regard to the information supplied to the actuary, and confirmed there are no findings impacting on the Council's accounts. The Pension Fund auditor reported a difference in asset values between the original estimate included in the IAS19 report and the actual year end values. The Council obtained an updated IAS19 report which results in a £4.7 million increase in the pension liability and amended the Financial Statements for the updated asset values (see section 04 for further details). We reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have followed up on relevant points and have not identified any issues.

Our procedures to determine our own estimate for the Council's pension liability found that the liability calculated by the actuary fell within our reasonable range. We agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.

The pension liability and related disclosures in the draft statement of accounts were based on an IAS19 report which used the March 2019 triennial valuation to estimate the Council's pension balances. In March 2023 the Council's actuary released the March 2022 triennial valuation. We performed audit procedures to assess the impact of the most recent triennial valuation. No misstatements to the pension liability were identified as a result of the March 2022 triennial valuation.

Areas of Audit Focus – Other Areas of Audit Focus

Inherent Risk - Group Accounts

What is the risk?

Staffordshire County Council has investments in three companies: Entrust (49% holding), Penda (50% holding) and Nexxus (100% holding). The investments in Entrust, Penda and Nexxus have not previously been consolidated into the results of Staffordshire County Council as they have not been considered material, either qualitatively or quantitatively to the results of the Council.

As these companies expand, there is a risk that their materiality relative to the Council's operations changes and the Council fails to prepare group accounts when in fact these are required under the accounting framework.

What did we do and what judgements did we focus on?

To address this risk we:

- ▶ Obtained management's group assessment which considered the need to consolidate the results of each of the three companies in to the results of the Council by reference to the Code; and
- ▶ Reviewed management's assessment and considered whether we are aware of any additional considerations as to whether these entities are either qualitatively or quantitatively material to the Council in coming to our own assessment of whether consolidated financial statements are required to be prepared.

What are our conclusions?

We have completed our work in this area.

Our review of management's group assessment and confirmed that the companies controlled by the Council remain qualitatively and quantitatively immaterial and therefore no consolidated financial statements were required for 2020/21.



Areas of Audit Focus

What is the risk/area of focus?

Accounting for the PFI waste scheme

The Council has four PFI Schemes, the most significant of which is the Waste to Energy PFI Scheme. Accounting for PFI is a highly complex and judgemental area of the financial statements.

Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after the date of that report.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Staffordshire County Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Staffordshire County Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit and Standards Committee. In order to perform our work under the revised ISA, we will require a robust assessment from management of the financial position and going concern basis of the Authority, which clearly sets out and evidences the key risks, mitigations and assumptions that underpin that assessment.

What we did and our conclusion

We have completed our work in this area.

Our testing of the completeness and accuracy of the inputs to the financial model and the subsequent correct application of the outputs to the financial statements is completed and we have no matters to report.

We have completed our work in this area.

We received an updated Going Concern assessment and supporting documentation covering the period to the end of March 2025.

Following our audit procedures on the updated assessment we consider it to be robust and appropriate. Following our review, Management has updated the Financial Statements to reflect the updated assessment within the going concern disclosure.



Areas of Audit Focus

What is the risk/area of focus?

Infrastructure Assets Accounting

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code, these assets are held at depreciated historic cost. 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 accumulated depreciation are therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

DLUHC issued a Statutory Instrument which came into effect on the 25 December 2022 which allowed for a temporary change in accounting rules in this area giving Authorities the option to account for Infrastructure Assets on a net rather than gross basis. CIPFA also released an update to the Local Authority Accounting Code and a Local Authority Accounting Panel (LAAP) bulletin was issued which provided practitioners guidance on how they should account for Infrastructure Assets should an Authority wish to adopt the Statutory Instrument.

What we did and our conclusion

From our review of the Council's accounting treatment for Infrastructure assets we concluded that the accounting of the Council's infrastructure assets was not in line with the CIPFA Local Authority Accounting Code 2020/21 as originally issued as a significant proportion of the Council's annual spend on infrastructure asset's was likely to be on the replacement of assets and that historically no write off of the gross cost and accumulated depreciation had been made. Therefore the impact on the accounts was likely to be material.

Management produced an assessment of the approach taken by the Council to depreciating infrastructure assets against this guidance. We are satisfied that the approach and useful economic lives applied by the Council as reasonable. CIPFA provided estimated useful economic lives for components of infrastructure assets. We have compared these to the depreciation charged under the Council's depreciation policy and note a difference of £6.0 million, which has been adjusted for by management (see adjustments 9 in section 04 below). We therefore have sufficient assurance that both depreciation and the net book value of infrastructure assets are not materially misstated.

The Council have amended the Financial Statements as required by the Statutory Instrument and updated CIPFA Code. As part of the Council's work to bring the Financial Statements in line with the requirements of the Statutory Instrument and updated CIPFA Code, management identified that it street lighting assets were incorrectly classified as 'Vehicles, Plant, Furniture and Equipment' within the Property, Plant and Equipment note 12 and should be classified as Infrastructure Assets. The Council have amended for this classification misstatement in the new Highways Infrastructure Assets disclosure note.

From the audit procedures undertaken we are satisfied with the changes made to disclosures in relation to the required changes in accounting for Infrastructure Assets.



03 Audit Report

DRAFT



Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORDSHIRE COUNTY COUNCIL

Opinion

We have audited the financial statements of Staffordshire County Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Authority Movement in Reserves Statement,
- ▶ Authority Comprehensive Income and Expenditure Statement,
- ▶ Authority Balance Sheet,
- ▶ Authority Cash Flow Statement
- ▶ the related notes 1 to 45

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 Staffordshire County 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 (C&AG) 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.



Our proposed opinion on the financial statements

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 15 months from when the financial statements are authorised for issue to the 31 March 2025.

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

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 Director of Finance is responsible for the other information contained within the Statement of Accounts 2020/21.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- ▶ 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;



Our proposed opinion on the financial statements

► 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 Director of Finance

As explained more fully in the Statement of the Responsibilities set out on page 14, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors 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 Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or 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.

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.



Our proposed opinion on the financial statements

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:
 - Local Government Act 1972,
 - School Standards and Framework Act 1998,
 - Education Act 2002 and school Standards and Framework Act 1998 (England)
 - Local Government Act 2003,
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 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 Staffordshire County Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, 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, through enquiry of employees to confirm authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

▶ We assessed the susceptibility of the 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, inappropriate cut-off of revenue expenditure and non-grant income at the year-end date, recognition of income and expenditure in relation to disabled facilities grants, covid-19 , dedicated schools grants and public health grants and management override of controls to be our fraud risks.

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

▶ To address our fraud risk of inappropriate cut-off of revenue expenditure and non-grant income at the year-end date we tested the year end cut-off of expenditure and non-grant income to ensure that transactions had been recorded in the appropriate financial period.



Our proposed opinion on the financial statements

- ▶ To address our fraud risk of recognition of income and expenditure in relation to disabled facilities grants, covid-19, dedicated schools grants and public health grants we tested grants received by the Council in the year, reviewed the conditions attached to the grant to ensure that the income (and associated expenditure) has been appropriately recognised in accordance with the accounting framework.
- ▶ 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 the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

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.

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 (C&AG) in April 2021, as to whether Staffordshire County 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 Staffordshire County 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, Staffordshire County 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.



Our proposed opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Staffordshire County Council 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 Staffordshire County 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
XX XXXX 2023



04 Audit Differences





Audit Differences

Summary of adjusted differences

We highlight the following misstatements which have been corrected by management that were identified during the course of our audit to date:

1. Accounting treatment for the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP)

Staffordshire County Council acts as the accountable body for the SSLEP. During the course of audit it was identified that the Council had been incorrectly accounting for transactions relating to the SSLEP. The Council under the SSLEP arrangement is acting as an agent and as such transactions should only be recorded in the Balance Sheet within Cash and Cash Equivalents and Payables. Since the inception of the partnership on the 1 April 2019 the Council has been incorrectly taking the outstanding Payables balance through to the Comprehensive Income and Expenditure Statement and Earmarked Reserves rather than leaving the balance in Payables at the Balance Sheet date. This results in adjustments to the 2020/21 Financial Statements and given the material nature of the transaction financial periods for 2019/20 and 2018/19. The Council has adjusted the 2020/21, 2019/20 and 2018/19 balances in the amended version of the Financial Statements including the required 'third Balance Sheet' and Prior Years Adjustments note 45. The Adjustments made to the draft Financial Statements are:

- ▶ 2020/21 Debit: Comprehensive Income and Expenditure Statement - Net Cost of Services £15.8 million
- ▶ 2020/21 Credit: Balance Sheet - Short Term Creditors £15.8 million

- ▶ 2019/20 Debit: Comprehensive Income and Expenditure Statement - Net Cost of Services £0.3 million
- ▶ 2019/20 Credit: Balance Sheet - Short Term Creditors £0.3 million

- ▶ 2018/19 Debit: Comprehensive Income and Expenditure Statement - Net Cost of Services £12.9 million
- ▶ 2018/19 Credit: Balance Sheet - Short Term Creditors £12.9 million

2. Leases

It was identified that the annual rent for one operating lease was incorrectly input into the lease note calculation resulting in a £43.5 million overstatement of the minimum future lease payments in the Lease disclosure Note 35. The misstatement also applied to the 2019/20 comparative balance which resulted in a £45 million overstatement of the minimum future lease payments for the 2019/20 comparatives. The Council has amended for the current and prior year misstatement and have included the required disclosure relating to the prior period finding in the Prior Years Adjustments note 45.

3. Pension Liability

The Pension Fund auditor reported a difference in asset values between the original estimate included in the IAS19 report and the actual year end values. The Council obtained an updated IAS19 report which results in a £4.7 million increase in the pension liability. The Adjustments made to the draft Financial Statements are:

- ▶ Debit: Comprehensive Income and Expenditure Statement - Remeasurement of the net defined benefit liability/(asset) £4.7 million
- ▶ Credit: Balance Sheet - Pensions Scheme Liability £4.7 million



Audit Differences

Summary of adjusted differences

4. Misstatements in Short-Term Debtors

Our testing of Short-Term Debtors identified:

- One transaction of £5.9 million which was incorrectly recorded as Short-Term Debtors at the balance sheet date of the 31 March 2021 as the balance had been paid to the Council in July 2020 resulting in an overstatement of Short-Term Debtors;
- We identified that the bad debt provision had been incorrectly calculated and did not include the required credit loss calculation for debtors that were less than 6 months old, resulting in a £3.5 million overstatement in Short-Term Debtors;
- One year end debtor of £2.9 million had been invoiced twice resulting in an overstatement in Short-Term Debtors; and
- We identified £1.4 million of creditor balances held within the year end Short-Term Debtors balances that require reclassification to Short-Term Creditors and £0.7 million of debtors balances held within the year end Short-Term Creditors balance that require reclassification to Short-Term Debtors, the cumulative impact being an understatement in Short-Term Debtors of £2.1 million.

The Adjustments made to the draft Financial Statements are:

- ▶ Debit: Comprehensive Income and Expenditure Statement - Net cost of services - £3.5 million
- ▶ Debit: Balance Sheet - Capital Grants received in Advance - £8.8 million
- ▶ Credit: Balance Sheet - Short-Term Debtors - £10.2 million
- ▶ Credit: Balance Sheet - Short-Term Creditors - £2.1 million

5. Classification of Borrowings

Audit procedures on the Council's borrowings identified that a £15.0 million LOBO loan that was recallable within one year had been incorrectly classified as long-term rather than short-term. The Adjustments made to the draft Financial Statements are:

- ▶ Debit: Balance Sheet - Long-term Borrowings - £15.0 million
- ▶ Credit: Balance Sheet - Long-term borrowings repayable within one year - £15.0 million

6. Classification of Cash in Note 18

Audit procedures undertaken on the Council's cash disclosure in note 18 identified that £1.6 million of Cash from Call accounts and short-term deposits were incorrectly included under bank overdrafts. The Adjustments made to the draft Financial Statements, which do not have an overall impact on the cash balance reported in the Balance Sheet, are:

- ▶ Debit: Balance Sheet Note 18- Call accounts and short term deposits - £1.6 million
- ▶ Credit: Balance Sheet Note 18 - Bank overdraft - £1.6 million



Audit Differences

Summary of adjusted differences

7. Assets held for sale

We identified one property of £1.1 million disclosed in the Asset Held for Sale note 19 as a disposal had not actually been sold at the Balance Sheet date as the sale did not proceed, therefore resulting in an understatement of Asset Held for Sale. The Adjustments made to the draft Financial Statements are:

- ▶ Debit: Balance Sheet - Asset Held for sale - £1.1 million
- ▶ Credit: Comprehensive Income and Expenditure Statement - Other Operating Expenditure - £1.1 million

8. Property, Plant and Equipment

Our testing of Property, Plant and Equipment identified:

- One asset where the building element of £1.2 million had been double counted in the valuation resulting in an overstatement of Property, Plant and Equipment.
- One property held within Surplus Assets in Property, Plant and Equipment that had been incorrectly valued resulting in an overstatement in Property, Plant and Equipment by £3.6 million in the Balance sheet.

The Adjustments made to the draft Financial Statements are:

- ▶ Debit: Comprehensive Income and Expenditure Statement - Net Cost of Services - £1.5 million
- ▶ Debit: Useable Reserves - Revaluation Reserve - £3.3 million
- ▶ Credit: Balance Sheet - Property Plant and Equipment, Surplus Assets - £4.8 million

9. Infrastructure assets

Upon implementation of the Statutory Instrument on Infrastructure Assets, it was identified that the depreciation applied to Infrastructure Assets was understated by £6.0 million resulting in an overstatement of Property, Plant and Equipment. The Adjustments made to the draft Financial Statements are:

- ▶ Debit: Comprehensive Income and Expenditure Statement - Net Cost of Services - £6.0 million
- ▶ Credit: Balance Sheet - Property Plant and Equipment, Infrastructure Assets - £6.0 million

Other adjustments

We identified a number of disclosure adjustments to the draft financial statements which have been corrected by management. The most significant of these relates to accounting for Infrastructure Assets.



Audit Differences

Summary of unadjusted differences

We highlight the following misstatements greater than £0.13 million and disclosure differences which have not been corrected by management that were identified during the course of our audit:

1. Staffordshire health and well-being centre valuation

Our EY valuation expert found that the gross valuation of the Staffordshire health and well-being centre was understated by £1.5 million as it fell below the valuation range calculated. The following is the adjustment required to correct for this difference.

- ▶ Debit: Balance Sheet - Property, Plant and Equipment - £1.5 million
- ▶ Credit: Comprehensive Income and Expenditure Statement - Deficit/(Surplus) on revaluation of non current assets - £0.3 million
- ▶ Credit: Unusable Reserves - Revaluation Reserve - £1.2 million

2. Disclosure - Exit Packages note 29

The Exit Package note 29 does not fully comply with the requirements of the CIPFA Code of practice as it does not disclose separately those redundancies that are compulsory and those classified as other departures. Management have not corrected for this disclosure difference as they do not readily have access to this information.

We recommend that the Management seeks to obtain the required information to enable full compliance with the CIPFA Code of practice in future years.

If the Audit and Standards Committee agrees with management that these differences should remain unadjusted for the letter of representation will need to outline the reason for not adjusting.



05

Value for Money

Value for money

Council responsibilities for value for money

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.

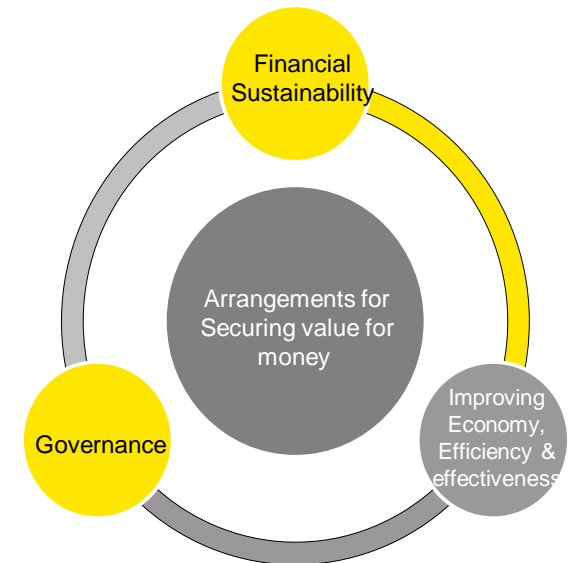
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its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

Auditor responsibilities under the new Code

Under the 2020 Code 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. However, there is no longer overall evaluation criterion which we need to conclude on. Instead 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 our 2020/21 VFM planning

Our detailed VFM planning identified two risks of significant weakness in arrangements:

- Financial Sustainability
- Improving economy, efficiency and effectiveness

The next slide provides further detail on the risks identified.

Our procedures over these risks is complete and we have no matters to report 'by exception' in our Auditor's Report.



Value for Money (significant risks)

What is the risk of significant weakness in arrangements?

The medium term financial strategy (MTFS), presented to County Council on the 11 February 2021, proposed balanced budget for 2021/22. However, the MTFS has identified the Council will experience budget gaps in the following four years:

- 2022/23 - budget gap of £14.1 million
- 2023/24 - budget gap of £13.3 million
- 2024/25 - budget gap of £7.7 million
- 2025/26 - budget gap of £3.2 million

Going forward the Council will need to continue to scrutinise its financial plans to achieve budget savings particularly in light of the continued impact of Covid-19, in order maintain delivery of Council services to enable it to hold an adequate level of useable reserves.

In January 2019, a joint report was issued by OFSTED and the CQC relating to the joint inspection of the local area of Staffordshire to assess the effectiveness of the area in implementing the special educational needs and disability (SEND) reforms as required by the Children and Families Act 2014. The joint report highlighted significant weaknesses which was significant VFM risk in 2019/20 in terms of working with third parties effectively to deliver strategic priorities.

In 2019/20 we reported an except for opinion on our value for money conclusion in relation to the progress the Council had made to address actions required in its Written Statement of Action (WSOA) and internal audits limited assurance report stating "The review of the written statement as at January 2020 showed that overall the situation across all eight priority areas had remained broadly similar since October 2019, with the majority (at least five/six) recorded as Amber (work is progressing and expected to be completed within the timescales set)."

There remains a VFM risk in 2020/21 that the Council has still not adequately implemented actions as required in it's Written Statement of Action.

What reporting criteria does the risk affect?

Financial Sustainability

Improving economy, efficiency and effectiveness

Our audit approach

We:

- ▶ Monitored the financial position for 2020/21 and the Council's delivery against revenue challenges;
- ▶ Reviewed the Council's options for addressing future budget gaps and considered the adequacy of any future savings plans; and
- ▶ Considered the Council's available reserves balances and the extent to which it would cover any remaining budget gap.

Conclusion: Based on the procedures undertaken we did not identify a significant weakness in arrangements.

We:

- ▶ Reviewed whether the Council has an approved plan in response to the joint Ofsted and CQC SEND inspection
- ▶ Reviewed the extent to which the approved plan had been implemented by the Council within the set timelines
- ▶ Established if there were any governance arrangements with respect to the implementation of the approved plan and whether these were adhered to.

Conclusion: Based on the procedures undertaken we did not identify a significant weakness in arrangements.



06 Other reporting issues

Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report 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 Narrative Report and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and have requested additional disclosure to be made to the draft Annual Governance Statement which we expect management to amend for.

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.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your WGA return. The Council is no longer required to report into WGA in respect of 2020/21.

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 have not received any formal questions or objections to the Council’s financial statements, following the Inspection Period.

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

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

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.

We have reported in respect of going concern earlier in this report. We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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.

We have identified several prior period adjustments as reported in section 04 of this report. These adjustments arose due to deficiencies in controls over the review process in preparing the draft statement of accounts and, regarding the prior period adjustment for SSLEP funding, a lack of knowledge within the finance team. This resulted in misinterpretation of related accounting guidance and errors in calculation of accounting disclosure notes.

We recommend that Management ensures that it undertakes a detailed review of accounting treatments and the underlying information on which the financial statements are prepared particularly where new arrangements and transaction have been put in place to ensure that these are correctly reported in the financial statements.



08

Independence

Relationships, services and related threats and safeguards

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

As noted in our Provisional Audit Plan, we have agreed a two year extension to Mark's tenure as Engagement Partner with the PSAA Ltd. We sought and gained approval to this decision from the Council's Section 151 Officer and Audit and Standards Committee Chair, as part of our overall considerations for the extension. We do not consider that this compromises our independence, and no additional safeguards were put in place.

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 next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit and Standards Committee.

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

We confirm that we have not undertaken non-audit work.

Other communications

EY Transparency Report 2020

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

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

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

Relationships, services and related threats and safeguards

Services provided by Ernst & Young			
	Indicative fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee - Code work	84,511	84,511	84,511
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	See breakdown below		79,770
Revised Proposed Scale Fee	84,511	84,511	164,281
Additional work (Note 2) 2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of:			
• Increased cost of regulation	25,000		
• Significant risk - Valuation of Land and buildings (including use of internal experts)	19,500 to 26,000		
• Area of audit focus - Accounting for COVID 19 related grant income	6,500 to 10,000		
• Area of audit focus - Going Concern Compliance with ISA 570	4,500 to 7,000		
• Area of audit focus - Infrastructure Assets	10,500 to 13,500		
• Pension Liability and impact of Triennial valuation	8,500 to 14,000		
• New NAO Code for VFM	10,500 to 15,000		
• Audit procedures to address risks of significant weakness in VFM	10,000 to 15,000		
• Additional audit procedures required over identified prior year adjustments and audit differences	13,000 to 16,000		
Proposed Fee for additional work	108,000 to 141,500		
Total fees	TBC	84,511	164,281

All fees exclude VAT

Note 1 - The 2019/20 Code work included a proposed additional fee of £123,603. This relates to our proposed uplifts to the base scale fee due to increased regulatory requirements. PSAA Ltd determined a final additional fee for 2019/20 of £79,770.

Note 2 - As set out in this report, we have been required to perform additional audit procedures to respond to the financial reporting on associated audit risks. As we are concluding our audit, we cannot quantify the fee impact on these areas as listed in the table above but have provided estimated fee ranges for each area. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the 2020/21 Annual Auditor's Report. These additional fees will be discussed with Management and are subject to formal approval by PSAA Ltd.







09

Appendices




Appendix A

Required communications with the Audit and Standards Committee





There are certain communications that we must provide to the Audit and Standards Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Standards 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 Plan - 24 May 2021 presented to the Audit and Standards Committee on 13 July 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 24 May 2021 presented to the Audit and Standards Committee on 13 July 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 - 3 December 2021 Final Audit Results Report - 30 November 2023




Appendix C – continued

		Our Reporting to you
Required communications	 What is reported?	  When and where
Major Local Audits	<p>For the audits of financial statements of major local audits our written communications to the Audit and Standards Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit and Standards Committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit Plan - 24 May 2021 presented to the Audit and Standards Committee on 13 July 2021</p> <p>Audit Results Report - 3 December 2021</p> <p>Final Audit Results Report - 30 November 2023</p>





Appendix C – continued

		 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 ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the Staffordshire County Council 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 ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	<p>Audit Results Report - 3 December 2021</p> <p>Final Audit Results Report - 30 November 2023</p>
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Audit Results Report - 3 December 2021</p> <p>Final Audit Results Report - 30 November 2023</p>
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ 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 Council any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Standards Committee responsibility. 	<p>Audit Results Report - 3 December 2021</p> <p>Final Audit Results Report - 30 November 2023</p>





Appendix C – continued

		 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 Council’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 Council 	<p>Audit Results Report - 3 December 2021</p> <p>Final Audit Results Report - 30 November 2023</p>
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 judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 24 May 2021 presented to the Audit and Standards Committee on 13 July 2021</p> <p>Audit Results Report - 2021</p> <p>Final Audit Results Report - 30 November 2023</p>

Appendix C - continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of 	Audit Results Report - 3 December 2021 Final Audit Results Report - 30 November 2023
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - 3 December 2021 Final Audit Results Report - 30 November 2023

Appendix C – continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 - 3 December 2021 Final Audit Results Report - 30 November 2023
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 - 3 December 2021 Final Audit Results Report - 30 November 2023
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 3 December 2021 Final Audit Results Report - 30 November 2023 Auditor's Annual Report - January 2024
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - 24 May 2021 presented to the Audit and Standards Committee on 13 July 2021 Audit Results Report - 3 December 2021 Final Audit Results Report - 30 November 2023 Auditor's Annual Report - January 2024

Management representation letter - draft

Please note that the representation letter below is a draft version and could be subject to change. The item related to unadjusted misstatements is highlighted red. Currently we are not in a position to confirm this wording in the management representation letter.

Management Rep Letter - DRAFT

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young [Address]

This letter of representations is provided in connection with your audit of the Council financial statements of Staffordshire District 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 Council financial statements give a true and fair view of the Council financial position of Staffordshire District Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, 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 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the Council financial statements. We believe the Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) and are free of material misstatements, including omissions. We have approved the Council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.

Management representation letter

Management Rep Letter

4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflicts and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised below, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [\[specify reasons for not correcting misstatement\]](#).

Unadjusted audit differences:

1) Valuation of the Staffordshire health and well-being centre	
Debit: Property, Plant and Equipment	£1.5 million
Credit: Deficit/(Surplus) on revaluation of non-current asset	£0.3 million
Credit: Revaluation Reserve	£1.2 million

2) Disclosure - Exit Packages note 29

The Exit Package note 29 does not separately disclose those redundancies that are compulsory and those classified as other departures.

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

1. We acknowledge that we are responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the 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 statements;
 - 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.

Management representation letter

Management Rep Letter

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 are reflected in the financial statements, including those related to the COVID-19 pandemic, the conflict in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 12 December 2023.
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 year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the 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 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Management representation letter

Management Rep Letter

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

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), aligned with the statements we have made in the other information or other public communications made by us.

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

J. Reserves

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

Management representation letter

Management Rep Letter

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
 - Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency).

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of property, defined benefit pension scheme and financial instruments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Pension Liability and Property, Plant and Equipment Valuations Estimate

1. We confirm that the significant judgments made in making the Pension Liability and Property, Plant and Equipment Valuations estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the Pension Liability and Property, Plant and Equipment Valuations estimate.
3. We confirm that the significant assumptions used in making the Pension Liability and Property, Plant and Equipment Valuations estimate appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the Pension Liability and Property, Plant and Equipment Valuations estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.



Appendix B

Management representation letter

Management Rep Letter

N. Retirement benefits

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

Yours faithfully,

Director of Finance

Chairman of the Audit and Standards Committee

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