



Report to the Audit, Governance and Standards Committee

# ESSEX COUNTY COUNCIL

DRAFT Audit Completion Report: year ended 31 March 2021

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# WELCOME

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We have pleasure in presenting our Audit Completion Report to the Audit, Governance and Standards Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance. This report is marked as “draft” because of a residual, ongoing issue relating to infrastructure assets which has been raised, and is being addressed, at a national level.

It summarises the results of completing the planned audit approach for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Audit, Governance and Standards Committee. It is essential that we engage with the Audit, Governance and Standards Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit, Governance and Standards Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

**David Eagles, Partner**  
For and on behalf of **BDO LLP**, Appointed Auditor

10 March 2022



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit, Governance and Standards Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# OVERVIEW

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This summary provides an overview of the audit matters that we believe are important to the Audit, Governance and Standards Committee in reviewing the results of the audit of the financial statements of the Group for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



### Overview

At the date of issuing this Report, our audit work on the financial statements is substantially complete but our internal quality control reviews are ongoing.

Outstanding matters are listed on page 39 in the appendices.

We presented our Audit Planning Report to the Audit, Governance and Standards Committee in March 2021. There have been no significant changes to the planned audit approach and no additional significant audit risks have been identified.

Our work on the Council's value for money arrangements remains in progress. We will report the results of our work in our Auditor's Annual Report, which we are required to issue no later than three months after the date of our audit opinion.

No restrictions were placed on our work. However, there is an ongoing, and now national, issue relating to the carrying value of, and accounting for, infrastructure assets where we may not be able to undertake sufficient work. This is referred to on pages 6 and 15.

### Audit report

With a caveat relating to the conclusion of the infrastructure issue, we would otherwise anticipate issuing an unmodified audit opinion on the consolidated Group financial statements and the Council's single entity financial statements as set out on page 27.

We have no exceptions to report at this stage in respect of the Council's value for money arrangements.

Our audit certificate will be issued when we have completed our work on the Council's value for money arrangements and its Whole of Government Accounts submission.

# THE NUMBERS

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### Final materiality

Group materiality was determined based on gross expenditure.

Changes were made to planning materiality to reflect actual gross expenditure recognised in the statement of accounts presented for audit. The percentage threshold applied remained at 1.75%.

It should be noted that group materiality was set at the same percentage threshold as that for the single entity (i.e. the Council). The monetary threshold (£38.4m) is almost identical, reflecting the limited impact the consolidation of Essex Cares Ltd and Essex Housing Development LLP has on gross expenditure once inter company transactions are eliminated on consolidation, but has been set marginally higher than for the single entity.

### Material misstatements

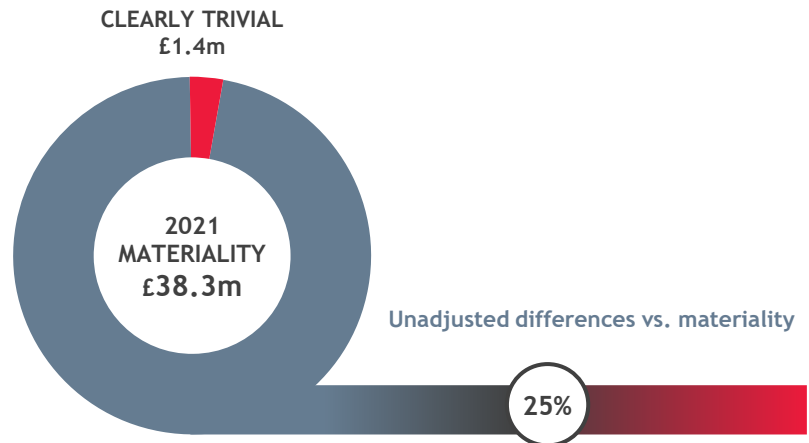
Subject to completion of the outstanding matters on page 39, our work has not identified any material misstatements.

### Unadjusted audit differences

We identified one audit adjustment that, if posted, would increase the surplus on the provision of services for the year by £9.724 million. Further details are included on page 17.

### Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.



# OTHER MATTERS

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### Financial reporting

- At the time of writing, the audit team is working with the Council and liaising with the wider local government audit sector to resolve a query regarding the carrying value of infrastructure assets (see also page 15).
- Subject to the outcome of the above, we have not identified any other non-compliance with Group accounting policies or the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- No significant accounting policy changes have been identified impacting the current year
- Going concern disclosures are deemed sufficient
- The Narrative Report is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement complies with relevant guidance and is not inconsistent or misleading with other information we are aware of.

### Other matters that require discussion or confirmation

- Control deficiencies identified in relation to IT general controls, including:
  - Proactive monitoring of login activities performed by privileged users
  - Administration level access granted to individual whose job role did not require it
  - Absence of database monitoring in the social care finance application
- Confirmation on fraud, contingent liabilities and subsequent events
- Letter of representation

### Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council and the Group in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



# AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 10 March 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	Yes
Revenue recognition	Significant	Yes	No	No	No	No
Expenditure cut-off	Significant	No	No	No	No	No
Valuation of land, buildings and investment properties	Significant	Yes	Yes	No	No	Yes
Valuation of pension liability	Significant	Yes	Yes	No	No	Yes
Waste treatment plant PFI	Significant	Yes	No	No	No	Yes

 Areas requiring your attention

As described on page 6, the audit team is working with the Council and liaising with the wider local government audit sector to resolve a query regarding the carrying value of infrastructure assets. Further details are included on page 15.

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# MANAGEMENT OVERRIDE OF CONTROLS

**Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.**

## Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

## Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation; determined key risk characteristics to filter the population of journals; and used our IT team to assist with the journal extraction
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

## Results

Our audit procedures on journal entries are substantially complete and we have no matters to report.

Our review of estimates and judgements applied by management, focused on bias, is complete and we have no matters to report.

Our review of the unadjusted audit differences reported on page 17 and 18 has not identified any indication of bias or deliberate misstatement.

## Discussion and conclusion

Our audit work has not identified any issues.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
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# REVENUE RECOGNITION

## Auditing standards presume that income recognition presents a fraud risk.

### Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition (primarily through the manipulation of financial reporting) to be in respect of the accuracy and existence of revenue grants subject to specific performance conditions.

### Work performed

We carried out the following planned audit procedures:

- Tested a sample of grants included in income to supporting documentation from grant paying bodies and checked whether recognition criteria have been met.

### Results

Our audit procedures relating to grant income subject to specific conditions are complete. We have no matters to report.

### Discussion and conclusion

Our audit work did not identify any issues.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
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Letter of representation point	

# EXPENDITURE CUT OFF

**For public sector bodies the risk of fraud related to expenditure is also relevant.**

## Risk description

For net-spending bodies in the public sector, there is a risk of fraud related to expenditure. For the Council, we consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

## Work performed

We carried out the following planned audit procedures:

- Checked that expenditure is recognised in the correct accounting period by substantively testing a sample of expenditure around year-end.

## Results

Our audit procedures relating to expenditure occurring round the year end are complete. We have no matters to report.

## Discussion and conclusion

Our audit work did not identify any issues.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
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# VALUATION OF LAND, BUILDINGS AND INVESTMENT PROPERTIES

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**The valuation of land, buildings and investment properties is a significant risk as it involves a high degree of estimation uncertainty.**

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

## Risk description

Local authorities are required to ensure that the carrying value of land and buildings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.

The Council applies a five-year rolling revaluation programme to its land and buildings, with surplus assets and investment properties revalued annually. A market review is performed at the end of the financial year to determine whether material movements may have occurred since the valuation date. Property revaluations and the market review are undertaken by the Council’s external property advisors.

Due to the significant value of the Council’s land, buildings and investment properties, there is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer’s skills and expertise in order to determine if we could rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year was appropriate based on their usage;
- Reviewed accuracy and completeness of information provided to the valuer, such as rental agreements and sizes;
- Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets;
- Followed up valuation movements that appeared unusual; and
- Confirmed that assets not specifically valued in the year have been assessed to ensure their reported values remained materially correct.

# VALUATION OF LAND, BUILDINGS AND INVESTMENT PROPERTIES

**The valuation of land, buildings and investment properties is a significant risk as it involves a high degree of estimation uncertainty.**

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

## Results

Our audit procedures relating to the valuation of land, buildings and investment properties is complete.

The instructions provided to the valuer were consistent with our expectations and we concluded that we were able to rely on the management expert.

The basis of valuation for assets valued in the year was appropriate. We have no matters to report regarding inputs into the valuations.

We confirmed that the assumptions used by the valuer were consistent with our expectations.

Where valuation movements for individual properties were outside of our expected range, we reviewed property specific inputs to confirm that the valuation movement was supported and, where appropriate, corroborated these inputs to supporting evidence.

We have confirmed that the Council undertook a review of properties not captured by the in year valuation programme and, where appropriate, applied indexation to ensure values reported at the balance sheet date are materially correct.

## Discussion and conclusion

Our audit work did not identify any issues.

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The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
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## Risk description

The net pension liability comprises the Council’s share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.

The valuation of the pension liability is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council’s share of the scheme liability.

## Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the competence of the management expert (actuary);
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;

- Reviewed the controls in place for providing accurate membership data to the actuary;
- Contacted the pension fund auditor and requested confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and
- Checked that any significant changes in membership data has been communicated to the actuary.

## Results

Our audit procedures on the valuation of the pension liability are complete and we have no matters to report.

The disclosures in the financial statements agree to the information provided by the pension fund actuary. We concluded that we were able to rely on the management expert.

We have reviewed the reasonableness of the assumptions used by the actuary in the calculations and have no matters to report.

We have reviewed the controls in place for providing accurate membership data to the actuary and have no matters to report.

## Discussion and conclusion

Our audit work did not identify any issues.

# WASTE TREATMENT PLANT PFI

**There is a risk that assets and liabilities associated with the Waste Treatment Plant PFI are treated incorrectly in the Council's accounts.**

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

## Risk description

The Council is party to a PFI arrangement for the design, construction and operation of a waste treatment plant. As disclosed in the Council's previous years' Statements of Accounts, construction of the plant commenced in May 2013 and achieved the Readiness Date in November 2014. The Facility remains in the commissioning phase and the contractual long stop date has passed. The Council and operator of the facility are currently utilising contractual and dispute mechanism to resolve issues which have occurred during the commissioning phase.

There is a risk that assets and liabilities associated with the Waste Treatment Plant PFI are treated incorrectly in the Council's accounts.

## Work performed

We carried out the following planned audit procedures:

- Confirmed that the Council's accounting treatment of the arrangement is consistent with the terms set out in the contract and the requirements of CIPFA's Code of Practice on Local Authority Accounting; and
- Considered the basis for any judgements made by management in determining the treatment of the assets and liabilities associated with the arrangement.

## Results

In the prior year, as reported in our 2019/20 completion report, we concluded that the Council's accounting treatment of the arrangement was consistent with the terms set out in the contract and the requirements of CIPFA's Code of Practice on Local Authority Accounting.

Our procedures have not identified any matters which are indicative of the need to amend the accounting treatment applied in previous years. We have reviewed the disclosures made in respect of contingencies and have concluded that they are not inappropriate.

We have held discussions with the Council's legal team and at the time of writing we have not identified any issues which impact the above assessment.

## Discussion and conclusion

Our audit work has not identified any issues.

# OTHER MATTERS

The following are other matters arising during the audit which we want to bring to your attention.

Issue	Comment
At the time of writing, the audit team are working with the Council and liaising with the wider local government audit sector to resolve a query regarding the carrying value of infrastructure assets.	In common with, as far as we have been able to ascertain, all other infrastructure holding councils, Essex records, and holds records on, spend on infrastructure on a project basis rather than at a granular separable asset or specific location basis. This position means that when assets are replaced/ refurbished and/or wholly taken out of use, it is not possible to identify the relevant cost or accumulated depreciation of the assets that should be de-recognised. Consequently, gross cost and gross depreciation will be overstated, and this is expected to be material. Further, if assets are replaced sooner than their estimated useful economic lives, then there would be a residual net book value impact. This exposure could be material (i.e. infrastructure assets shown in the balance sheet could be materially overstated). For context, Note 15.2 of the Accounts shows for infrastructure assets gross cost of £1.73bn, accumulated depreciation of £499m and a net book value of £1.23bn.
Presentation of income on the face of the Comprehensive Income and Expenditure Statement (CIES).	The face of the CIES presents income from the provision of services in two columns; “Government Grants” and “Other income”.  Whilst this presentation facilitates the reconciliation of the two types of income to other areas of the Statement of Accounts, management should consider the addition of a total income column to aid comparability with statements of accounts prepared by other local authorities.

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## Fraud

Whilst the Council's officers have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 22 March 2021.

## Laws and regulations

The most significant considerations for your organisation are the:

- Local Government Acts of 1972 and 2003
- Local Government Finance Acts of 1988, 1992 and 2012
- Local Audit and Accountability Act 2014
- Accounts and Audit Regulations 2015
- VAT legislation
- PAYE legislation.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

## Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

## Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any significant matters in connection with related parties.



# UNADJUSTED AUDIT DIFFERENCES: SUMMARY

## Summary for the current year



**We are required to bring to your attention unadjusted differences and we request that you correct them.**

There is one unadjusted audit difference identified by our audit work which would increase the surplus on the provision of services for the year of £33 million by £9.724 million. There is no impact on net assets as at 31 March 2021 and therefore no impact on general fund balance.

This is a projected misstatement, based on the extrapolation of an error identified in our expenditure sample. Our testing identified that a sample item with a value of £617 related to 2019/20 but had not been accrued for, resulting in the expenditure being incorrectly included in 2020/21.

In the prior year, we reported an unadjusted projected misstatement of £2.195 million, of which £2.025 million arose following comparison of estimates made by the Council when preparing the 2019/20 accounts to the supplier invoice subsequently received (the actual value of differences identified from the sample selected was £78,814). This resulted in a projected overstatement of expenditure in the prior year.

When the above unadjusted misstatement is combined with the brought forward error from the previous year, the net impact is an increase in the surplus on the provision of services of £7.529 million.

You consider the unadjusted audit differences to be immaterial in the context of the financial statements as a whole.

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# UNADJUSTED AUDIT DIFFERENCES: DETAIL

## Details for the current year

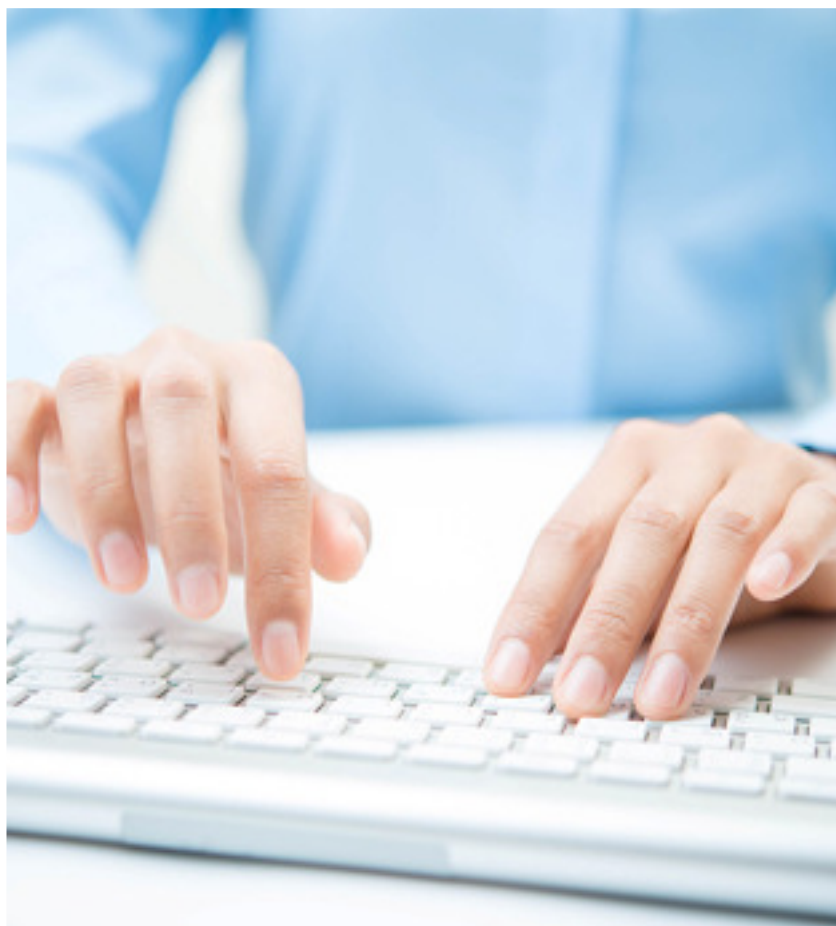
	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
<b>Unadjusted audit differences</b>					
Surplus on the provision of services for the year before adjustments	(33,001)				
1: Impact of brought forward unadjusted error					
DR Expenditure	2,195	2,195			
CR Short term creditors balance as at 1 April 2020					(2,195)
2: Projected overstatement of expenditure due to absence of accrual of 2019/20 costs					
DR General fund balance as at 1 April 2020				9,724	
CR Expenditure	(9,724)		(9,724)		
<b>Total unadjusted audit differences</b>	<b>(7,529)</b>	<b>2,195</b>	<b>(9,724)</b>	<b>9,724</b>	<b>(2,195)</b>
Surplus on the provision of services for the year if above issues adjusted	(40,530)				

Further details relating to the impact of the brought forward adjustment of £2.195 million are included in our 2019-20 Audit Completion Report. This adjustment only affects the opening balance of short term creditors at 1 April 2020 and has no impact on the value on the short term creditors balance as at 31 March 2021. However, this adjustment affects the value of expenditure on services recognised in the Comprehensive Income and Expenditure Statement (the overstatement of the opening creditors balance means that expenditure on services is understated by the same amount).

In our 2019/20 audit completion report, we reported an understatement relating to the value of specialised asset carrying values. The value reported in 2019/20 included an element of sensitivity to give a maximum estimated understatement. Removing the sensitivity element of the reported misstatement gives an understatement of £5.293 million. This affects the opening land and building balances and associated revaluation reserve balances at 1 April 2020 only. As there is no impact on balances at 31 March 2021, this prior year unadjusted audit difference has not been included in the table above.

# ADJUSTED AUDIT DIFFERENCES: SUMMARY

## Summary for the current year



There were two audit differences identified by our audit work that were adjusted by management. These affected classification in the top half of the balance sheet only and there was no impact on the surplus on the provision of services or the general fund balance.

The first difference relates to the inclusion of external body invoices (ie those relating to entities where the Council acts as an administering authority and processes transactions on behalf of those entities) which were unpaid at 31 March 2021 being included in debtors in error. This resulted in the overstatement of the creditor raised for cash held by the Council on behalf of the external bodies. Short term debtors and creditors were both overstated by £7.168 million.

The second audit difference relates to the misclassification of a long term grant receipt in advance as short term. Long term grants received in advance were understated by £3 million and short term grants received in advance are overstated by the same amount.

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# ADJUSTED AUDIT DIFFERENCES: DETAIL

## Details for the current year

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences					
Surplus on the provision of services for the year before adjustments	(33,031)				
Adjustment 1: External body invoices incorrectly included in debtors control account at year end					
DR Creditors				7,168	
CR Debtors					(7,168)
Adjustment 2: Reclassification of capital grant receipt in advance from short term to long term					
DR Capital grants received in advance - short term				3,000	
CR Capital grants received in advance - long term					(3,000)
Total Adjusted audit differences					
Adjusted surplus on the provision of services for the year	(33,031)			10,168	(10,168)

The above adjustments have no impact on the general fund balance.

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# REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

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# WHOLE OF GOVERNMENT ACCOUNTS

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The Council is required to prepare a Data Collection Tool (DCT) return for use by the Department for Levelling Up, Housing and Communities (DLUHC) for the consolidation of local government accounts, and by HM Treasury at Whole of Government Accounts level.

Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over a prescribed threshold in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.

The OSCAR II system for submission of the 2020/21 WGA DCT is not yet available for local authorities to complete and HM Treasury has not yet confirmed the thresholds or timetable for audit review. The Group Audit Instructions, which include the required programme of work for auditors, have therefore not yet been issued.

In the prior year, the threshold was £500 million and we were therefore required to perform tests on the DCT. This work included checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.

We will update the Audit, Governance and Standards Committee on this issue when further information is available.



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# USE OF RESOURCES OVERVIEW

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## New Code of Audit Practice (“Code”)

The Comptroller & Auditor General has determined through a new Code and guidance that the key output from local audit work in respect of value for money (VFM) arrangements is a commentary as reported in the Auditor’s Annual Report, not a VFM arrangements ‘conclusion’ or ‘opinion’. There may be matters referred to in the auditor’s commentary that do not represent significant weaknesses in arrangements and where significant weaknesses are reported we are required to also report recommendations.

As auditors we need to gather sufficient evidence and document our evaluation of arrangements to enable us to draft our commentary under three reporting criteria. These 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** (‘Improving 3Es’) - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

## Risk of Significant Weakness

Our value for money work remains in progress. We have no exceptions to report at this stage in respect of the Council’s value for money arrangements, and this position will be reflected in the opinion to be issued with the Statement of Accounts.

We will report the results of our work in our Auditor’s Annual Report, which we are required to issue no later than three months after the date of our audit opinion.

# OTHER DEFICIENCIES

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
IT general controls	<p>There has not been any proactive monitoring of the login activities performed by privileged users.</p> <p>There is an inherent risk that without independent monitoring, the appropriateness of system administrative activity is dependent on the motivation of the individual. There is a greater risk that unauthorised transaction activity is performed and not detected.</p>	<p>Implement audit logging that records activity performed by administrative accounts at application and database level.</p> <p>Administrator activity should be independently monitored, investigated as appropriate and formally signed off by an independent reviewer.</p>	<p>The Council agrees that it is best practice to have proactive, independent monitoring in place for each of its key finance systems. It has subsequently implemented this for one of its key systems and is investigating the feasibility of it for the remainder.</p>
IT general controls	<p>Upon review of the privileged accounts for Oracle, we identified one individual in the Council with administration level access when their job role (which involved processing and monitoring of transactions) did not require it.</p> <p>There is an inherent segregation of duties risk when an individual has administrative access rights to a system as well as a transaction processing / monitoring role on that system.</p>	<p>Assign administrative privileges to an independent individual with no transaction processing or monitoring role.</p>	<p>The Council agrees that no user should have both administrative and transactional level access and has accordingly removed the administrator access from the identified individual.</p> <p>User permissions have been reviewed as part of the implementation of My Oracle, and will be kept under review on an ongoing basis.</p>

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## OTHER DEFICIENCIES 2

Area	Observation & implication	Recommendation	Management response
IT general controls	<p>Upon review of the underlying database of A4W, we noted that there is no database auditing enabled.</p> <p>There is a risk that actions are not appropriately being recorded and reviewed, which may lead unauthorised changes to database settings or data.</p>	<p>Enable the auditing parameter within the SQL database. There should be active monitoring or periodic reviews performed of key information that has been logged to assess any unusual/unauthorised activity.</p>	<p>The decision was taken not to enable auditing on the A4W database due to performance issues. By way of assurance though, only the 3 database administrators who currently work for ECC have access to the A4W database.</p> <p>Our current live project is to upgrade and re-host A4W (with the supplier Servelec). As part of this project we will investigate whether it is possible to enable auditing without degrading the system performance.</p> <p>The Council agrees that it is best practice to enable database auditing.</p>

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# AUDIT REPORT OVERVIEW

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## Opinion on financial statements

With a caveat relating to the conclusion of the infrastructure issue, we anticipate issuing an unmodified opinion on the Group and the Council financial statements.

## Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Group's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

## Irregularities, including fraud

Our report will explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

## Other information

We have not identified any material misstatements that would need to be referred to in our report.

## Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

## Use of resources

We have no matters to report at this stage in relation to the Council's value for money arrangements.

We have not yet completed our work on the Council's value for money arrangements. We will report a commentary on value for money arrangements in our Auditor's Annual Report and include exception reporting in respect of any identified significant weaknesses in our audit certificate.

# INDEPENDENCE

## Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit, Governance and Standards Committee in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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# FEES

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<b>Fees summary</b>	2020/21	2019/20
	Planned	Actual
	£	£
<b>Audit fee</b>		
• Code audit fee: consolidated Group and single-entity financial statements and use of resources (for 2019/20) <sup>(1)</sup>	134,420	134,420
• Additional audit fee: specific risks	-	3,000
• Additional audit fee: Covid-19 remote working <sup>(2)</sup>	20,000	-
• Additional audit fee: new Use of Resources approach <sup>(3)</sup>	TBC	-
<b>Total Code audit fee</b>	<b>TBC</b>	<b>137,420</b>
<b>Fees for reporting on government grants:</b>		
• Teachers' pensions return	12,250	12,000
<b>Total fees</b>	<b>TBC</b>	<b>149,420</b>

<sup>(1)</sup> The Code fee remains the PSAA Scale plus the £8,155 added from 2019/20 reflecting the increased expectations relating to the work necessary to audit valuations of non-current assets, pension liabilities and group accounts.

<sup>(2)</sup> **Covid-related costs**

This represents an estimate of the additional resource time and costs necessary when audits are undertaken remotely. The 15% is at the lowest end of the 15-20% range experienced by BDO and the other audit firms. If we are able to undertake some key work on site, the time reflected here should reduce and the fee level decrease accordingly.

<sup>(3)</sup> **Use of Resources approach**

There is no prior period baseline to accurately quantify fees for this work because the approach, including reporting requirements, for 2020/21 has changed.



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# RESTORING TRUST IN AUDIT AND CORPORATE GOVERNANCE

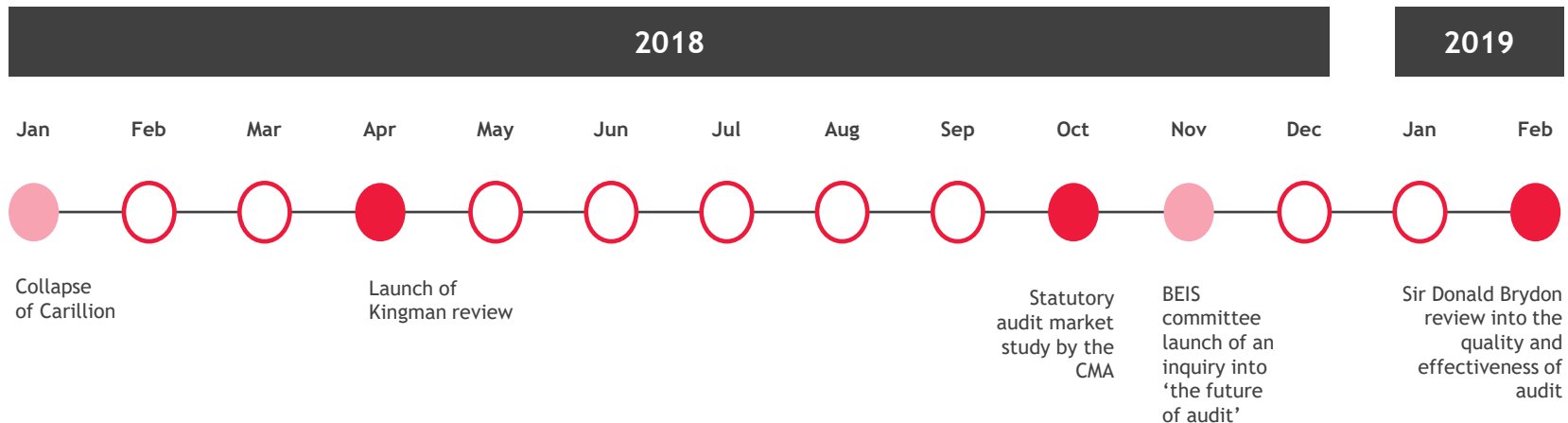
## BEIS consultation issued March 2021

The collapse of Carillion at the beginning of 2018 precipitated a root and branch review of how the audit market works with three main components, all reporting to the Secretary of State for Business Energy and Industrial Strategy. The latest BEIS consultation as published in March 21 outlines proposals to increase choice and quality in the audit market, establish clearer responsibilities for the detection and prevention of fraud, and ensure the audit product and audit profession are fit for the future. The consultation aims to present measures that balance the need for meaningful reform with proportionate impacts on business, both now and for the future. The next pages aim to summarise the key areas of the consultation but for more information please refer to the [consultation](#) directly.

Although the consultation is only closed in July 2021, changes have already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. At BDO we support the aims of operational separation of audit practices. Without being complacent we do not have a large consulting practice like some of our rivals and we have always run our audit business to be independently and sustainably profitable, therefore the main causes of concern that this seeks to address namely cultural contamination and cross subsidisation are less relevant for us. We do however recognise that the profession needs to restore the confidence of users and operational separation or ring fencing is an important step on that journey. We have drawn up plans for how we would implement this and are currently consulting with stakeholders. Whilst full compliance is not required until 2024 we are likely to implement a number of aspects particularly around governance and financial transparency by July 2021.

Whilst there is some uncertainty regarding the timeline post the close of the consultation it is our understanding that the implementation of the Audit, Reporting and Governance Authority (ARGA) is likely to be in 2023.

### HISTORIC CONSULTATIONS TIMELINE



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# BEIS CONSULTATION AT A GLANCE

Issued March 21

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Key Area of the BEIS consultation	Summary
1. Resetting the scope of regulation by expanding the definition of Public Interest Entities to include large private companies and “large” AIM quoted companies.	<p>The government proposes two possible tests to extend the scope of PIEs:</p> <p>To adopt the test used to identify companies already required to include a corporate Annual Governance Statement in their directors’ report, or adopt a narrower test which incorporates the threshold for additional non-financial reporting requirements for existing PIEs. This would cover companies with both: Over 500 employees and a turnover of more than £500 million as their consolidated position.</p> <p>The Government is also proposing that any new definition of PIE should also include companies on the exchange-regulated AIM market with market capitalisations above €200m.</p>
2. Increasing the accountability of directors	<p>The consultation sets out a couple of options relating to directors accountability for internal controls and then indicates a tentative preferred option which would require a directors’ statement about the effectiveness of the internal controls. Unlike the US’s approach to internal controls which mandates external auditor attestation in most cases this option would leave the decision on whether the statement should be assured by an external auditor to the directors, audit committee and shareholders.</p> <p>This section of the consultation also includes proposals to require companies to report on their distributable reserves and for directors to be required to make a formal statement about the legality and affordability of proposed dividends.</p>
3. New corporate reporting requirements	<p>Introducing a requirement for PIEs to produce an annual Resilience Statement. This new statement consolidates and builds upon the existing going concern and viability statements and would apply initially to Premium Listed companies.</p> <p>Introducing an Audit and Assurance Policy where directors have to describe their approach to seeking assurance. For publicly quoted entities, this would be subject to an advisory shareholder vote at the time of its publication,</p>
4. Strengthening the supervision of corporate reporting	<p>Giving the Audit, Reporting and Governance Authority (ARGA) (which replaces the Financial Reporting Council) more power to direct changes to company reports and accounts.</p> <p>Creating increased transparency for the Corporate Reporting Review (CRR) process and an extension of the CRR process to the whole of the annual report and accounts.</p> <p>The Government proposes to broaden the regulator’s review powers so that it can scrutinise the entire contents of a company’s Annual Report and Accounts.</p>

## BEIS CONSULTATION AT A GLANCE 2

Key Area of the BEIS consultation	Summary
5. Provisions concerning company directors	<p>Giving the regulator investigation and enforcement powers in relation to wrongdoing by all directors of Public Interest Entities. Due to the principles of collective responsibility and a unitary board, all directors of Public Interest Entities would be in scope.</p> <p>Strengthening malus and clawback provisions within executive director remuneration.</p>
6. Changes to audit purpose and scope	<p>The Government will seek to introduce a regulatory framework to cover both audits of financial statements (statutory audit) and other types of information which companies decide to have audited through the Audit and Assurance Policy process. It also proposes to legislate to require directors of Public Interest Entities to report on the steps they have taken to prevent and detect material fraud.</p>
7. Changes to audit committee oversight and engagement with shareholders	<p>ARGA to establish a standards and supervision regime. ARGA will write the standards by which Audit Committees will need to operate and they will monitor compliance against these standards. Initially this will only apply to FTSE 350 Audit Committees.</p> <p>Additional requirements for audit committees in the appointment and oversight of auditors, which is intended to ensure the committee acts effectively as an independent body responsible for safeguarding the interests of shareholders.</p> <p>Increased engagement between a company and its shareholders. The Government agrees with Brydon's recommendation that the audit committee's annual report should set out which shareholder suggestions put forward for consideration had been accepted or rejected by the auditor.</p>
8. Improved competition, choice and resilience in the audit market	<p>The implementation of a managed shared audit regime for companies audited by the Big Four.</p> <p>The operational separation of certain accountancy firms.</p> <p>Statutory powers for the regulator to monitor the resilience of the audit market.</p>
9. Greater supervision of audit quality	<p>Making the regulator responsible for approving the auditors of PIEs and improving the transparency of Audit Quality Review reports by allowing AQR reports on individual audits to be published without consent.</p>
10. A new and strengthened regulator; the Audit, Reporting and Governance Authority	<p>The regulator will be given the power to make rules requiring market participants to pay a levy to meet the regulator's costs of carrying out its regulatory functions.</p>
11. Additional changes to the regulator's responsibilities	<p>The regulator will have the power to require an expert review where it has identified significant concern regarding a PIEs corporate reporting and auditing.</p>

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# FRC ETHICAL STANDARD

Issued in December 2019

In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
<b>The objective, reasonable &amp; informed third party test</b>	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
<b>Extra-territorial impact</b>	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
<b>Contingent fees</b>	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
<b>Secondments</b>	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
<b>Recruitment and remuneration services</b>	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
<b>Non-audit services to a public interest entity (PIE)</b>	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
<b>Other entities of public interest ('OEPI')</b>	<p>OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an <i>SME listed entity</i> - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which:</p> <ul style="list-style-type: none"><li>- Have more than 2000 employees; and / or</li><li>- Have a turnover of more than £200 million and a balance sheet total of more than £2 billion.</li></ul> <p>The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.</p>

# FRC PRACTICE AID FOR AUDIT COMMITTEES

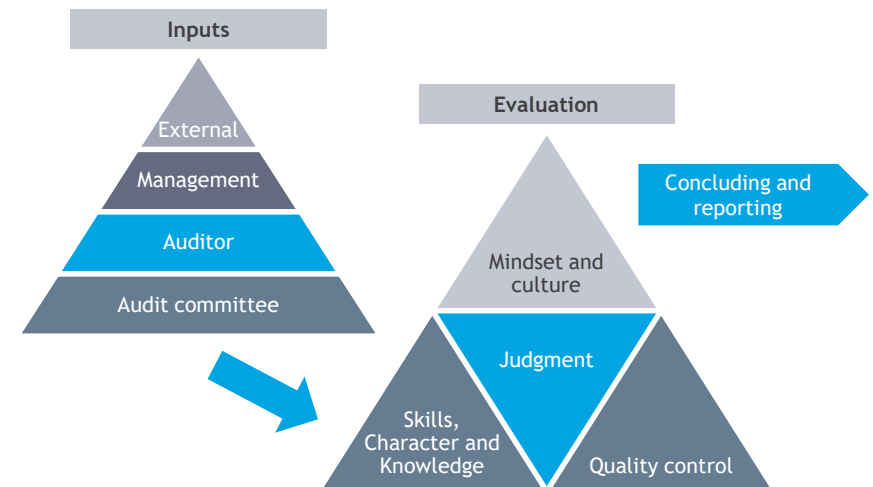
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The Financial Reporting Council (FRC) issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: ‘The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for taking decisions.’

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#)

# OUR RESPONSIBILITIES

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### Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and single-entity financial statements. We report our opinion on the financial statements to officers of the Council.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report by exception any significant weaknesses identified by our work on the Council’s value for money arrangements and a summary of associated recommendations made.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

### What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit, Governance and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



# ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.
	<b>Group matters</b>	
6	Limitations on the audit where information was restricted.	No exceptions to note.
8	Any fraud or suspected fraud at group or component level.	No exceptions to note.



# COMMUNICATION WITH YOU

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## Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance (TCWG) are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit, Governance and Standards Committee.

In communicating with TCWG of the Council and the Group, we consider TCWG to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

## Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	10 March 2021	Audit, Governance and Standards Committee
Audit progress report	27 September 2021	Audit, Governance and Standards Committee
Audit Completion Report	21 March 2022	Audit, Governance and Standards Committee
Auditor's Annual Report	TBC	Audit, Governance and Standards Committee

# OUTSTANDING MATTERS

We are in the process of completing our audit work in respect of the financial statements for the year ended 31 March 2021.

The following matters are outstanding at the date of this Report and could impact our audit opinion. We will update you on their current status at the Audit, Governance and Standards Committee meeting on 21 March 2022 at which this Report is considered:

- Completion of remaining final partner, manager and quality control review of the audit file and clearance of any further review points
- Conclusion of matters relating to infrastructure assets
- Review of final version of Statement of Accounts to ensure arithmetical accuracy, internal consistency and that agreed disclosure amendments have been correctly processed
- Subsequent events review (this will need to be refreshed up to the point of issuing the opinion, so is linked to the infrastructure issue timeline)
- Letter of Representation, as attached in Appendix D (draft) to be approved and signed.



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# DRAFT LETTER OF REPRESENTATION

BDO LLP  
16 The Havens  
Ransomes Europark  
Ipswich  
IP3 9SJ

Dear Sirs

## Financial statements of Essex County Council for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of the Group and the Council's financial statements for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Executive Director, Corporate Services has fulfilled her responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2021 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

## Going concern

We have made an assessment of the Group and the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

## Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

## Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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## Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

## Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

## Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 37 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the controlling party of the Council are accurate.

## Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

## Accounting estimates

### a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- RPI increase 3.2%
- CPI increase 2.8%
- Salary increase 3.8%
- Pension increase 2.8%
- Discount rate 2.00%
- Mortality: Current pensioners - male 21.6 years and female 23.6 years / future pensioners - male 22.9 years and female 25.1 years
- Commutation: pre-April 2008 - 50% / post-April 2008 - 50%

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19.



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## b) Valuation of land and buildings and investment property

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

### Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

### Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Nicole Wood  
Executive Director, Corporate Services

[Date] 2022

Councillor Anthony Hedley  
Chair of the Audit, Governance and Standards Committee

[Date] 2022

# AUDIT QUALITY

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## **BDO is totally committed to audit quality**

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)



FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the audited body and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

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