

To: David Gardner (Chairman) Clive Souter  
Lesley Greensmyth (Vice Chairman) Steven Watson  
John Bevan Terry Wheeler  
Mike Garnett

A meeting of the **AUDIT COMMITTEE** (Quorum – 3) will be held at these offices on:

**THURSDAY, 19 SEPTEMBER 2024 AT 13:00**

at which the following business will be transacted:

#### **AGENDA**

1 To receive apologies for absence

2 **DECLARATION OF INTERESTS**

Members are asked to consider whether or not they have disclosable pecuniary, other pecuniary or non-pecuniary interests in any item on this Agenda. Other pecuniary and non-pecuniary interests are a matter of judgement for each Member. (Declarations may also be made during the meeting if necessary.)

3 **MINUTES OF LAST MEETING**

To approve the Minutes of the meeting held on 20 June 2024 (copy herewith)

4 **PUBLIC SPEAKING**

To receive any representations from members of the public or representative of an organisation on an issue which is on the agenda of the meeting. Subject to the Chairman's discretion a total of 20 minutes will be allowed for public speaking and the presentation of petitions at each meeting.

5 **EXTERNAL AUDIT UPDATE**

Oral update by Keith Kellard, Head of Finance

6 **EXTERNAL AUDIT 2023/24 – AUDIT PLAN**

Paper AUD/154/24

Presented by Keith Kellard, Head of Finance

7 INTERNAL AUDIT UPDATE Paper AUD/152/24

Presented by Michael Sterry, Senior Accountant

8 RISK REGISTER 2024/25 Paper AUD/153/24

Presented by Dan Buck, Corporate Director

9 URGENT BUSINESS

Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency by reason of special circumstances to warrant consideration.

10 EXEMPT ITEMS

Consider passing a resolution based on the principles of Section 100A(4) of the Local Government Act 1972, excluding the public and press from the meeting for the items of business listed on Part II of the Agenda, on the grounds that they involve the likely disclosure of exempt information as defined in those sections of Part I of Schedule 12A of the Act specified beneath each item. (There are no items are currently listed for consideration in Part II.)

11 September 2024

Shaun Dawson  
Chief Executive

**LEE VALLEY REGIONAL PARK AUTHORITY**

**AUDIT COMMITTEE MINUTES  
20 JUNE 2024**

Members  
in remote presence: David Gardner (Chairman) Clive Souter  
Lesley Greensmyth (Vice Chairman) Terry Wheeler  
John Bevan

Apologies Received From: Mike Garnett, Barry Lewis

Officers  
in remote presence: Shaun Dawson - Chief Executive  
Keith Kellard - Head of Finance  
Michael Sterry - Senior Accountant  
Dan Buck - Corporate Director  
Jon Carney - Corporate Director  
Simon Clark - Head of IT & Business Support  
Julie Smith - Head of Legal  
Sandra Bertschin - Committee & Members' Services Manager  
Kevin Bartle - S151 Officer (London Borough of Enfield)

Also in remote presence: Debbie Hanson - EY (external auditors)  
Raheel Mallick - Forvis Mazars (internal auditors)  
Robert Grant - Forvis Mazars (internal auditors)  
Andy Waters - Right Directions (health & safety consultant)

Part I

The Chairman agreed to accept an additional agenda item by reason of urgency and to alter the order of the agenda. The minutes follow the order of items taken at the meeting.

278 DECLARATIONS OF INTEREST

There were no declarations of interest.

279 MINUTES OF LAST MEETING

**THAT the minutes of the meeting held on 29 February 2024 be approved and signed.**

280 PUBLIC SPEAKING

No requests from the public to speak or present petitions had been received for this meeting.

281 DRAFT UNAUDITED FINAL ACCOUNTS 2022/23

Paper AUD/145/24

The report was introduced by the Head of Finance.

Debbie Hanson (EY) advised that:

- the outcome of consultation by the Department for Levelling Up, Housing and Communities (DLUHC) on clearing the backlog of local authority audits had been delayed by the calling of a General Election;
- the expectation was that proposed plans for the issuing of disclaimed opinions would continue but that the dates would change;
- EY was continuing with its strategy of undertaking Value for Money work and Pension Fund audits; and
- subject to the consultation outcome, resources had been allocated to undertake audit work October to December.

The S151 Officer reiterated that it was anticipated a disclaimed opinion for the 2022/23 financial statements would be issued.

The Chairman commented that uncertainty remained over the audit fee, whether more work would be required for the 2023/24 audit and if a disclaimed opinion would affect the Authority's ability to borrow or credit worthiness.

- (1) **the draft Statement of Accounts for 2022/23; and**
- (2) **that any changes recommended by the Auditor at the conclusion of any Audit will be incorporated into the revised Financial Statements, for approval by Audit Committee was noted.**

282 VALUE FOR MONEY INTERIM REPORT FOR 2021/22 AND 2022/23 Paper AUD/151/24

The report was introduced by Debbie Hanson (EY) including:

- this was an interim report covering 2 years and would be revisited when/if a disclaimed audit opinion was issued. However no changes were expected;
- the Value for Money assessment was based on three reporting criteria and no significant weaknesses had been identified;
- it was noted that the Authority's 2023/24 position was less favourable but that actions had been taken to reduce the draw on reserves. Reserves had fallen below the recommended level but this was clearly reported upon;
- Internal Audit had issued a Moderate assurance but were satisfied that reasonable plans were in place to address the one Limited assurance audit. Increased focus should be given to implementation of Internal Audit recommendations; and
- no significant weaknesses had been identified for improving economy, efficiency and effectiveness.

The Chairman remarked that the one year drop in reserves had been noted as a matter of concern but was a reflection of specific economic factors and reserves had since returned to the recommended level. The Head of Finance advised that reserves were currently significantly above the recommended level.

The Chairman welcomed the lack of any identified significant weaknesses and thanked EY for their commentary.

- (1) **the Value for Money Interim Report for 2021/22 and 2022/23 attached at Appendix A to Paper AUD/151/24 was noted.**

Debbie Hanson left the meeting.

283 DRAFT UNAUDITED FINAL ACCOUNTS 2023/24

Paper AUD/146/24

The report was introduced by the Head of Finance.

In response to the Chairman it was advised that the Authority was working on the basis of drawing down the minimum level of capital borrowing and had used the proceeds from a land sale to reduce borrowing for redevelopment of Lee Valley Ice Centre.

- (1) the draft Statement of Accounts for 2023/24; and**
- (2) that any changes recommended by the Auditor at the conclusion of any Audit will be incorporated into the revised Financial Statements, for approval by Audit Committee was noted.**

284 ANNUAL GOVERNANCE STATEMENT 2023/24

Paper AUD/147/24

The report was introduced by the Head of Finance.

The Chairman requested that the 'Scope of Responsibility' section of the Annual Governance Statement be amended to include reference to the Authority's aims, objectives and ethos.

- (1) subject to the above requested amendment the Annual Governance Statement attached at Appendix A to Paper AUD/147/24, to be included within the Accounts was agreed.**

285 ANNUAL REPORT ON THE WORK OF INTERNAL AUDIT  
2023/24 AND AUDIT PLAN 2024/25

Paper AUD//24

The report was introduced by the Senior Accountant.

Raheel Mallick (Forvis Mazars) thanked the Senior Accountant for his support of the internal audit process.

The Chairman expressed concern that the average implementation rate of 48% for implementing internal audit recommendations was quite low. In response it was advised that good progress had been made on fully or partially implementing internal audit recommendations but some actions took longer to implement. The Chairman welcomed the reassurance that good progress had been made and looked forward to an implementation rate of 85% or more.

The Chairman thanked Mazars for their work.

- (1) the annual report of the Internal Auditors for 2023/24 detailed in Appendix A to Paper AUD/149/24 was noted; and**
- (2) the annual Audit Plan for 2024/25 as detailed in Appendix B to Paper AUD/149/24 was approved.**

The report was introduced by the Corporate Director including:

- the not unexpected small increase in the number of accidents and incidents was mainly attributable to the opening of the two pad Lee Valley Ice Centre; and
- the amount and attendance at Health & Safety training had increased because of a cultural shift.

Andy Waters (Right Directions) advised that 500 delegates undertook online training courses in 2023/24.

- (1) **the annual report of Right Directions Ltd for 2023/24 detailed in Appendix A to Paper AUD/148/24 was noted;**
- (2) **a target of 85% be set for the new departmental audits for year one;**
- (3) **the aims and objectives for 2024/25 set out in Appendix A in the annual report of Right Directions; and**
- (4) **the signing of this years' Health & Safety Policy Statement attached as Appendix B to Paper AUD/148/24 was approved.**

The report was introduced by the Head of IT & Business Support.

The Chairman requested that clarity of the trend progress column of the Strategic Risk Register be improved.

- (1) **the Corporate Risk Register included at Appendix A to Paper AUD/150/24 was approved;**
- (2) **the removal of two Risks (SR4.3 & SR9.1) from the register; and**
- (3) **the addition of two Risks (SR2.9 & SR4.4) to the register was noted.**

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date

The meeting started at 1.03pm and ended at 1.58pm



**LEE VALLEY REGIONAL PARK AUTHORITY**  
**AUDIT COMMITTEE**  
**19 SEPTEMBER 2024 AT 13:00**

**Agenda Item No:**

**6**

**Report No:**

**AUD/154/24**

## **EXTERNAL AUDIT 2023/24 - AUDIT PLAN**

Presented by the Head of Finance

### **SUMMARY**

As part of the 2023/24 audit, the Authority's external auditors Ernst & Young (EY) have produced a plan to cover the annual end of year audit 2023/24. This plan is attached at Appendix A to this report.

This is the first year of the new external audit contract, which covers the financial year's accounts from 2023/24 to 2027/28. The audit of the previous two year's accounts, 2021/22 and 2022/23, are still open, and subject to legislation to address the delays within the audit process, EY have set out their intention of issuing a disclaimed opinion on the outstanding accounts.

For the 2023/24 accounts, the auditor is planning to undertake a fully substantive audit which will review and report on the financial statements as well as arrangements for securing economy, efficiency and effectiveness in the use of resources. As in previous years it will include a review of the work of the internal auditors, including audit plans and reports, together with reports from any other work completed in the year. The plan also covers other mandatory audit procedures required by auditing standards as well as the financial statements and value for money risks.

The plan also highlights any potential risks for producing the financial statements and sets out the auditor's process, strategy and broad timetable.

The plan sets out the scale fee set by Public Sector Audit Appointments (PSAA) for 2023/24 at £65,770.

### **RECOMMENDATIONS**

- Members Note:
- (1) the External Auditors' Audit Plan for 2023/24 attached at Appendix A to this report; and
  - (2) the proposed annual audit fee for 2023/24 as set out in the financial implications.

## **BACKGROUND**

- 1 The role of external audit is to provide an annual independent assessment of how the Authority is discharging its responsibility for the stewardship of public money.

The audit focusses not only on the financial statements but also on Value For Money, particularly in relation to the budget, levy and key projects, for example the Leisure Services Contract (LSC) procurement.

The Auditors' conclusions are reported in their annual Audit Results Report later in the year following the Final Accounts Audit in the Autumn. This Plan summarises their work to date and highlights risks which may arise during the course of the annual audit.

- 2 The key item of note is the issuing of proposed backstop dates by the new government for all audit opinions up to the 2027/28 financial year. The backstop is the mechanism by which central government will enable local authorities and audit firms to catch up on the current audit backlog. This will be important in concluding the open audits for the Authority for 2021/22 and 2022/23 financial years, plus allowing EY to plan an approach and timescales for their audit of the 2023/24 statement of accounts.

## **AUDIT PLAN 2023/24**

- 3 The Audit Plan for 2023/24 is attached at Appendix A to this report.

In light of the recent announcement from Ministry of Housing, Communities & Local Government (MHCLG) regarding addressing the audit delays, as detailed below, EY have reviewed what is considered feasible in delivering the 2023/24 audit within the timelines set out.

- 4 The Audit Planning Report sets out the strategy in delivering the audit, detailing the scope of audit along with the significant audit, and value for money risks, in sections 2 and 3.
- 5 Section 7 of the Audit Plan, sets out a provisional timetable for the audit, with the commencement of the key systems testing and walkthroughs initially planned for mid-October through November, with the Audit Results Report and Auditor's Opinion issued in December. Note these dates as still provisional, and subject to final agreement.

## **LOCAL AUDIT BACKLOG**

- 6 Due to the significant delays in approval of accounts across the local government sector, the then Department of Levelling Up, Housing and Communities (DLUHC) announced a range of proposals in July 2023 to attempt to address the backlog of local audits in England. DLUHC published a follow up report in November 2023, Financial Reporting and Audit in Local Authorities, which made a series of recommendations to address the audit issue, and a consultation period ran between February and March 2024.

Due to the calling of the General Election for July 2024, the announcement following the consultation process was delayed, but on 30 July 2024 the MHCLG provided an update which is attached as Appendix B to this report.



- 7 The proposed backstop dates by which audits need to be complete, or a disclaimed or modified opinion issued, are as follows.

Financial Year	Backstop Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/05	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 8 The Accounts and Audit (Amendment) Regulations 2024 was laid before parliament on 9 September 2024, and is due to come into force on 30 September 2024.
- 9 EY have set out what the 13 December 2024 backstop means in terms of the work required to complete the audits, issuing the opinions on the two outstanding financial years, and then reporting their Audit Results Reports to the Committee. As previously reported to this Committee, EY propose issuing disclaimed opinions for both 2021/22 and 2022/23.

Authority officers are engaged with EY on this process to provide all required information to enable sign-off of outstanding accounts by the backstop date.

#### **ENVIRONMENTAL IMPLICATIONS**

- 10 There are no environmental implications arising directly from the recommendations in this report.

#### **EQUALITY IMPLICATIONS**

- 11 There are no equality implications arising directly from the recommendations in this report.

#### **FINANCIAL IMPLICATIONS**

- 12 The Authority decided on 10 March 2022 (Paper A/4315/22) to 'opt in' to the national audit appointment scheme undertaken by Public Sector Audit Appointments (PSAA), a government agency for contracting external audit services. This decision covered contracts being let for the period from 1 April 2023 to 31 March 2028 (five financial years) and would cover both the financial statements audit and the assessment on the value for money arrangements in place.
- 13 The Authority was notified by PSAA in December 2022 that EY would remain as the external auditor for this contract period. This was in line with the requirement under the Local Audit and Accountability Act 2014 of having an external auditor in place prior to the 31 December, before the start of each new financial year.
- 14 The base audit fee for any local authority who opts into the national scheme is set by PSAA, based on size and on previous audit experience and fees paid. The audit fee for the Authority for the 2023/24 audit is outlined in Section 7 of

the Audit Planning Report at £65,770. This fee may increase based on any additional work required by the auditor as part of their statutory role.

- 15 The fee for the 2023/24 audit process is a significant increase over the base audit fee for 2022/23 of £22,203 and represents the additional external audit requirements in respect of Value for Money (VFM) and ISA540 (Auditing Accounting Estimates and Disclosures) along with the uplift of fees that reflect the audit contract procurement. The 2023/24 fee is fully budgeted for within the corporate part of the Authority's accounts.

**HUMAN RESOURCE IMPLICATIONS**

- 16 There are no human resource implications arising directly from the recommendations in this report.

**LEGAL IMPLICATIONS**

- 17 There are no legal implications arising directly from the recommendations in this report.

**RISK MANAGEMENT IMPLICATIONS**

- 18 There are no risk management implications arising directly from the recommendations in this report although the audit plan does highlight financial statement risks that are likely to impact on the Audit and subsequently impact on the final fee.

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**PREVIOUS COMMITTEE REPORTS**

COMMITTEE	REPORT NO.	REPORT NAME	DATE
Audit Committee	AUD/146/24	Draft Unaudited Final Accounts 2023/24	20 June 2024
Audit Committee	AUD/145/24	Draft Unaudited Final Accounts 2022/23	20 June 2024
Audit Committee	AUD/151/24	Value for Money Report 2021-22 and 2022-23	20 June 2024
Audit Committee	AUD/143/24	Draft Unaudited Final Accounts 2021/22	29 February 2024

**APPENDICES ATTACHED**

- Appendix A     Audit Plan 2023/24  
 Appendix B     MHCLG Letter – Action to Tackle the Local Audit backlog in England

**ABBREVIATIONS**

- LSC             Leisure Services Contract  
 VfM            Value For Money  
 PSAA          Public Sector Audit Appointments  
 DLUHC        Department of Levelling Up, Housing and Communities  
 MHCLG        Ministry of Housing, Communities & Local Government

Lee Valley Regional Park  
Authority  
Audit planning report  
Year ended 31<sup>st</sup> March 2024  
5th September 2024



Lee Valley Regional Park Authority  
Myddelton House, Bulls Cross  
Enfield, Middlesex  
EN2 9HG

September 2024

Dear Audit Committee Members

#### Audit planning report

Attached is our audit planning report for the forthcoming meeting of the Audit Committee. The purpose of this report is provide the Audit Committee of Lee Valley Regional Park Authority (the Authority) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Authority. We have aligned our audit approach and scope with these. The report also considers the likely impact of Governments intentions for the reset and recovery of the local audit system. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 19 September 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Claire Mellons

Partner

For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). 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 July 2021)” issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



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# Overview of our 2023/24 audit strategy

# Overview of our 2023/24 audit strategy

## Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024 and financial years to 2023/24 by 28 February 2025.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ The National Audit Office (NAO) launched a consultation on amending the Code of Audit Practice to :
  - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
  - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of Authorities and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) launched a consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates we will disclaim the opinion on the Authority's 2021/22 & 2022/23 accounts. The proposed disclaimer of the Authority's 2021/22 and 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

We will continue to provide updates to the Audit Committee as the audit progresses, and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.





# Overview of our 2023/24 audit strategy

## Responsibilities of Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Authority's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Authority resources are readily available to support the audit process, within agreed deadlines. The Audit Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Authority's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Authority financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of the applicable backstop dates.

# Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of Land and Buildings including investment properties	Significant risk	No change in risk or focus	Property Plant and Equipment (PPE) and Investment Properties (IP) represent not only significant balances in the Authority's accounts but drives the strategic and operational objectives of the Authority. Valuations are subject to valuation changes, impairment and depreciation charges. The Authority's asset base continues to be specialised and highly significant, we deem that the judgements and estimates associated with the valuations of the assets pose a significant risk of material misstatement for these accounts. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Valuation of Pension Asset	Inherent Risk	No change in risk or focus	The Authority has recorded a net surplus for its Pensions position in the 23/24 financial statements which will need to be assessed to ensure it is correct to recognise the pension position subject to IFRIC 14 guidance of the IAS19 requirements. The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

# Overview of our 2023/24 audit strategy

## Authority Materiality

### Planning materiality

**£4.89m**

Materiality has been set at £4.89m, which represents 2% of 2023/24 of the Authorities Non-Current assets

### Performance materiality

**£2.44m**

Performance materiality has been set at £2.44m, which represents 50% of planning materiality.

### Audit differences

**£244k**

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, financial statements) greater than £244k. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.



# Overview of our 2023/24 audit strategy

## Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Authority give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

Taking the above into account, and as articulated in this Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore, to the extent any of these or any other risks are relevant in the context of the Authority's audit, we set those within this Audit Planning Report and we will continue to discuss these with management as to the impact on the scale fee.



# Overview of our 2023/24 audit strategy

## Audit scope (Cont.)

### ***Effects of climate-related matters on financial statements***

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Authority. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

### ***Audit scope and approach***

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit Committee where necessary to do so.

# Overview of our 2023/24 audit strategy

## Value for Money

We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Authority's arrangements against three reporting criteria:

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

The commentary on the Authority's value for money arrangements will be included in the Auditor's Annual Report.

## Timeline

A timetable has been agreed with management to complete the audit by December 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

## Key Audit Partner and senior audit team



**Claire Mellons - Partner In Charge**

**Hannah Toyer - Assistant Manager**



## 02 Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## 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 will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry 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
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- ▶ Consideration of 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
- ▶ Undertake procedures to identify significant unusual transactions
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.



# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Inappropriate capitalisation of revenue expenditure\*

### Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions

### What is the risk?

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

### What will we do?

- ▶ Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Valuation of Land and Buildings including investment properties

### Financial statement impact

We have assessed there is a significant risk relating to the valuation of land and buildings and investment property due to the size and specialist nature of the assets in the Authority's asset portfolio.

In the 23/24 drafted financial statements, the values were material to the group.

- Land and Buildings - £200.8m (NBV)
- Investment Property - £6.1m (NBV)

As such, a small change in the assumptions could result in a material impact for the financial statements.

### What is the risk?

The value of land and buildings represents a highly significant balance in the Authority's financial statements and is subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgements in respect of key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. We deem this to be significant for the valuation of Land & Buildings and Investment Property assets.

### What will we do?

- ▶ Considering the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Engage EY Estates for assets that are "hard to value" i.e., require specialist knowledge of market conditions, to review the valuations provided by the Authority's valuer.
- ▶ Sample test key asset information used by the valuers in performing their valuation (e.g., floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that land and buildings assets have been valued as part of a five-year rolling programme and investment properties have been valued on an annual basis as required by the CIPFA Code of Practice;
- ▶ Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

# Other areas of audit focus

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

## What is the risk/area of focus, and the key judgements and estimates?

### Pension Liability Valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Local Pensions Partnership Administration (LPPA).

The Authority's pension fund Surplus is a material estimated balance and the Code requires that this Asset be disclosed on the Authority's balance sheet. At 31 March 2024 this totalled £4.191 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Authority.

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

## Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of London Pension Fund Authority, to obtain assurances over the information supplied to the actuary in relation to the Authority
- ▶ Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

## What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Authority's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.



# 03 Value for Money risks

# Value for Money

## Authority's responsibilities for value for money

The Authority 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.

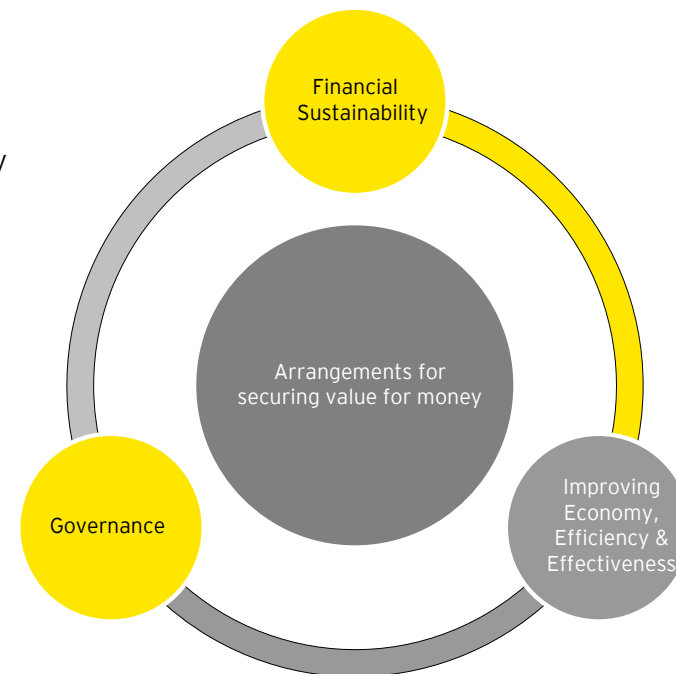
As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect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

## Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority 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 Authority plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.



## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Authority's arrangements, we are required to consider:

- ▶ The Authority's governance statement;
- ▶ Evidence that the Authority's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Authority to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Authority's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Authority;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Authority's reported performance;
- ▶ Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Authority has had to respond to the issue.



# Value for Money

## Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

## Reporting on VFM

Where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

## Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Authority has in place in relation to financial sustainability.

We will update the next Audit Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



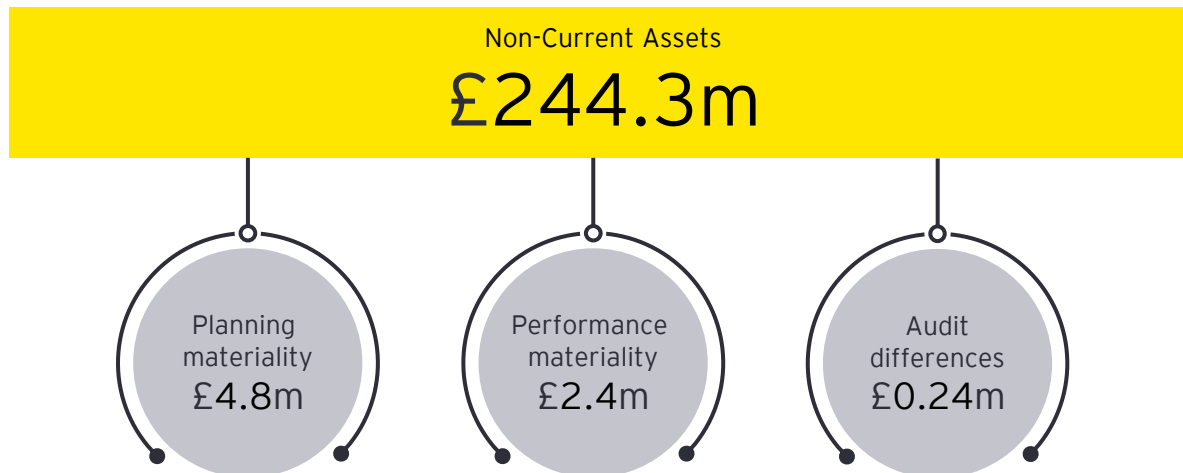
# 04 Audit materiality



# Materiality

## Authority materiality

For planning purposes, Authority materiality for 2023/24 has been set at £4.8m. This represents 2% of the Authority's 2023/24 non-current assets. It will be reassessed throughout the audit process. We consider the Authority to be a capital-based entity and as such have used non-current assets as the basis for our materiality calculations. We have provided supplemental information about audit materiality in Appendix F.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.4m which represents 50% of planning materiality. This is a result of the errors found as part of our 2020/21 audit, but also due to the timeframe since the last full audit was concluded.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee or are important from a qualitative perspective.



# 05 Scope of our audit

# Audit process and strategy

## Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

### 1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Authority and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

# Audit process and strategy

## Objective and Scope of our Audit scoping (cont'd)

### ***Measures to address local audit delays***

The changes proposed are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.

# Audit process and strategy

## Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Authority has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

### ***Analytics***

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

### ***Internal audit***

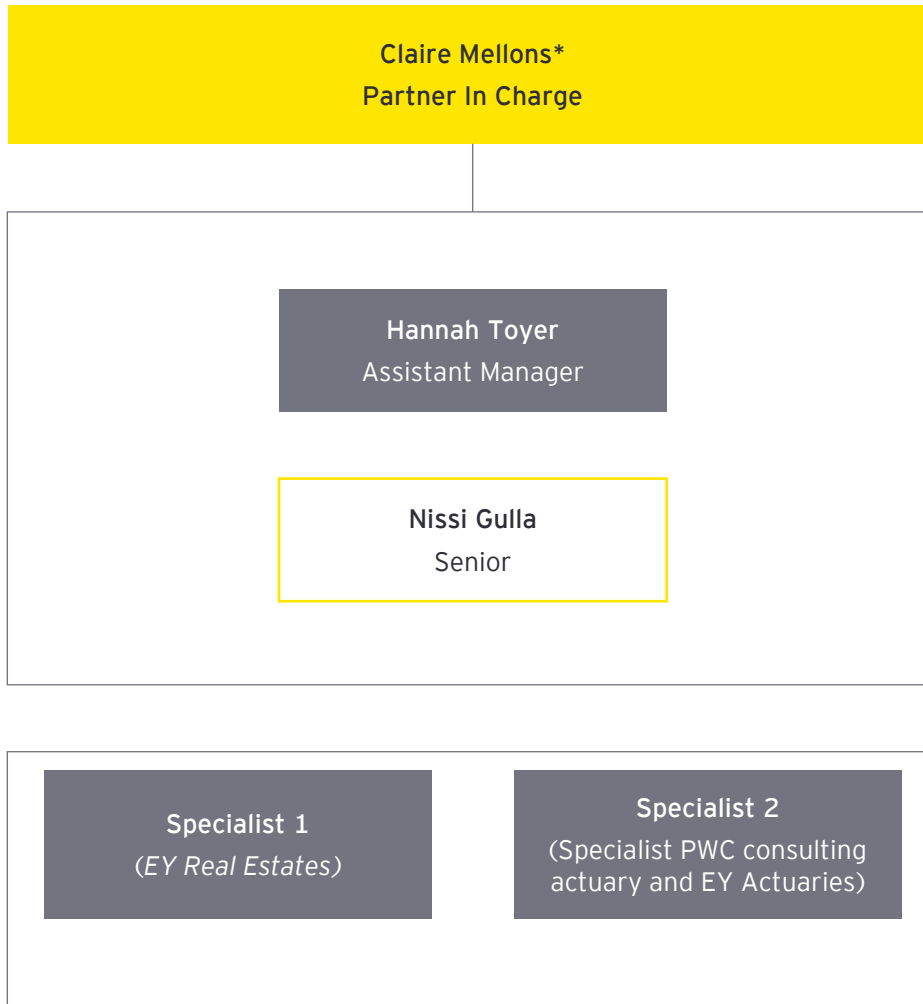
We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

# Audit team

# Audit team



\* Key Audit Partner

# Use of specialists

► Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations team
Valuation of Investment Properties	EY Valuations team
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by management's specialists in light of our knowledge of the Authority's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements





07

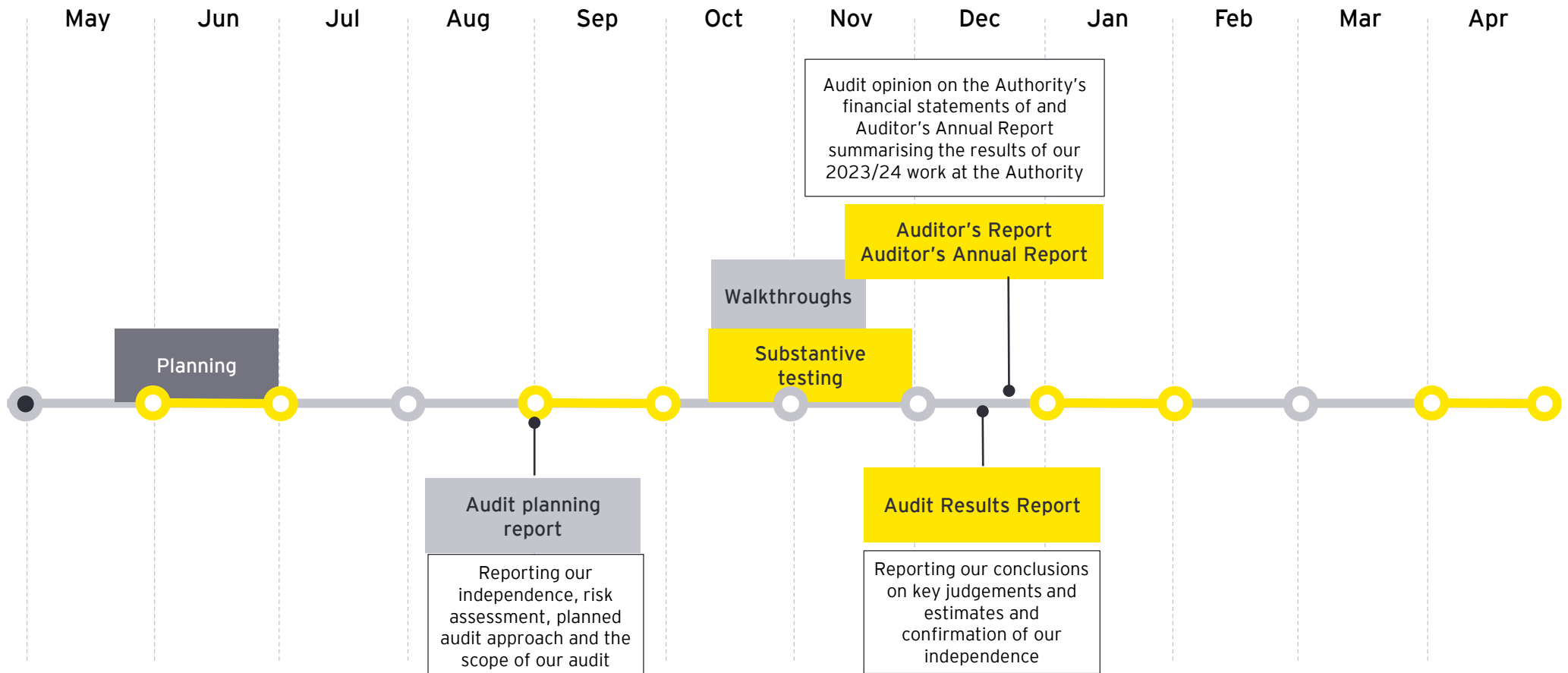
## Audit timeline

# Timetable of communication and deliverables

## Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

## Independence

# Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Claire Mellons, your audit engagement partner, and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, we do not provide any non-audit services. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



# Other communications

## EY Transparency Report 2023

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 period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



# 09 Appendices

# Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## ***Preparation of the statement of accounts***

*26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.*

*27. In preparing their statement of accounts, audited bodies are expected to:*

- ▶ *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ▶ *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- ▶ *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- ▶ *provide necessary resources to enable delivery of the plan;*
- ▶ *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ▶ *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ▶ *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- ▶ *during the course of the audit provide responses to auditor queries on a timely basis.*

*28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.*



# Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment
- ▶ The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

	Current Year	Scale fee	Prior Year
	£	£	£
Total Fee - Code Work	65,770 Note 3	65,770	22,203 Note 1
Other	0	0	0
<b>Total audit</b>	<b>65,770</b>	<b>65,770</b>	<b>22,203</b>
Other non-audit services not covered above (Housing benefits)	TBC	TBC	TBC Note 2
<b>Total other non-audit services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total fees</b>	<b>65,770</b>	<b>65,770</b>	<b>22,203</b>

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Authority have to pay for the 2022/23 audit.

(2) The 2022/23 work has just been completed and a final fee will be determined shortly. For 2023/24 the planned fee represents the base fee, i.e. not including any extended testing.

(3) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- ▶ Consideration of correspondence from the public and formal objections.
- ▶ New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- ▶ Non-compliance with law and regulation with an impact on the financial statements.
- ▶ VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- ▶ The need to exercise auditor statutory powers.
- ▶ Prior period adjustments.
- ▶ Modified financial statement opinions

# Appendix C – Accounting and regulatory update

## Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Authority:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none"><li>▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.</li><li>▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.</li><li>▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.</li><li>▶ The standard must be adopted by 1 April 2024 at the latest.</li></ul>	<ul style="list-style-type: none"><li>▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.</li><li>▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.</li><li>▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.</li></ul>

# Appendix C – Accounting and regulatory update (optional)

## Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Authority:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> <li>▶ Risk Assessment</li> <li>▶ Understanding the entity's internal control</li> <li>▶ Significant risk</li> <li>▶ Approach to addressing significant risk (in combination with ISA 330)</li> </ul> <p>The International Auditing &amp; Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> <li>▶ Drive consistent and effective identification and assessment of risks of material misstatement</li> <li>▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')</li> <li>▶ Modernise ISA 315 to meet evolving business needs, including:                             <ul style="list-style-type: none"> <li>▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and</li> <li>▶ how auditors understand the entity's use of information technology relevant to financial reporting.</li> </ul> </li> <li>▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.</li> </ul>	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Authority.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> <li>▶ Manage vendor supplied changes</li> <li>▶ Manage security settings</li> <li>▶ Manage user access</li> <li>▶ Manage entity-programmed changes</li> <li>▶ Job scheduling and managing IT process</li> </ul>

# Appendix D – The Spring Report

## A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](#) (accif.co.uk).

# Appendix E – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul>	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report

# Appendix E – Required communications with the Audit Committee (cont'd)

## 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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>	Audit results report

# Appendix E – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> </ul> </li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p> <ul style="list-style-type: none"> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	Audit Planning Report and Audit Results Report

# Appendix E – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report



# Appendix E – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report

# Appendix F – Additional audit information

## Regulatory update

Our objective is to form an opinion on the Authority's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in Section 5. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

## Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

# Appendix F – Additional audit information (cont'd)

## Other required procedures during the course of the audit

### Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the audited financial statements for the relevant reporting period

We have included in **Appendix E** a list of matters that we are required to communicate to you under professional standards.

## Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

# Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

### Examples of Non-Compliance with Laws and Regulations (NOCLAR)

#### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

#### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

# Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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# Ministry of Housing, Communities & Local Government

**Jim McMahon OBE MP**

*Minister of State*  
2 Marsham Street  
London  
SW1P 4DF

To All Chief Executives, Chief  
Financial Officers, Local Authority  
Leaders and Local Audit Firm Partners

30 July 2024

Dear all,

## **ACTION TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND**

I am writing to you today to inform you that I have, today, provided Parliament with a written update on the decisive action I have taken to tackle the local audit backlog in England. The statement can be found here: <https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46>.

Effective local audit ensures transparency and accountability for public money spent on these vital services and builds public confidence. The Government inherited a broken local audit system in England, with a significant and unacceptable backlog of unaudited accounts, which will likely rise again to around 1,000 later this year. This situation undermines trust and transparency in the way taxpayers' money is being spent. The delays that were seen under the last government mean that local bodies and their auditors cannot focus on up-to-date accounts, where assurance is most valuable.

To tackle the backlog, I intend to lay secondary legislation when parliamentary time allows to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates:

<b>Financial Year</b>	<b>Backstop date</b>
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Subject to parliamentary approval, for financial years 2024/25 to 2027/28, the date by which local bodies should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate. This will give those preparing accounts more time to ensure they are high-quality accounts. A new suite of guidance is planned by the NAO and Financial Reporting Council (FRC) on these measures, and we continue to work with other organisations to consider what guidance would be most constructive and helpful for local bodies.

We expect that there will be full assurance, with “clean” opinions for many bodies by the first backstop date of 13 December 2024. However, due to the time constraints, auditors are likely to issue ‘disclaimed’ audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable, however, given the scale of the failure in the local audit system the Government inherited meant that we have had to take this difficult decision to proceed. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance.

The Ministry will continue to work with the FRC and other key organisations across the local audit sector to support local bodies, auditors and the wider world to understand what the different types of modified opinions mean. As I set out in my statement, local bodies should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of backstop dates that are largely beyond their control and auditors will be expected to clearly set out the reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

The Government will communicate the necessity of these steps and emphasise the context for modified or disclaimed opinions and all the key organisations. This will include some Q&A drop-in sessions followed by a webinar. Dates and invitations for these will be circulated shortly, and I hope you will all be able to attend to hear directly about the measures.

I recognise the commitment and hard work of all your finance teams to continue and strengthen their essential work to produce high quality accounts in a timely manner. I also recognise the commitment and hard work of auditors working to provide quality external assurance, as we move to restore a system of high-quality, timely financial reporting and audit, while managing the impact of this in a sustainable way.

It is my aspiration, and one I know is also supported by all the key organisations in the audit world, that it is in the public interest for the audit system for local public bodies in England to recover as quickly as possible once the backlog has been cleared. This means disclaimed opinions driven by backstop dates should in most cases be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026), with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter.

This action to tackle the backlog, while vital, does not provide a long-term, sustainable solution to the wider, broken local audit system. The Government will need to undertake significant reform to overhaul the system, as we committed to in our manifesto. This will allow us to get the house in order, open the books, and repair the foundations of local government, and I will work with partners over the coming months to explore how best to achieve this.

Finally, I know the hard work is often unseen and too often not acknowledged, can I ask that you relay my appreciation to finance teams, key audit partners and others for the work they have done so far in what has been an extremely demanding period, and for the work they will do in the coming months and years.



**Jim McMahon OBE MP**

Minister of State for Housing, Communities and Local Government





**LEE VALLEY REGIONAL PARK AUTHORITY**  
**AUDIT COMMITTEE**  
**19 SEPTEMBER 2024 AT 13:00**

**Agenda Item No:**

**7**

**Report No:**

**AUD/152/24**

## **INTERNAL AUDIT UPDATE**

Presented by Senior Accountant

### **SUMMARY**

The purpose of this report is to update Members on the internal audit programme and related activity including any instances of fraud, corruption or whistleblowing.

### **RECOMMENDATIONS**

- Members Note:
- (1) the report; and
  - (2) the Fraud Risk Register, as presented in Appendix A to this report.

### **BACKGROUND**

- 1 In February 2018 (Paper AUD/85/18) the Audit Committee approved the award of a six-year contract to Mazars to deliver the Authority's internal audit requirements, procured through the London Borough of Croydon framework agreement.
- 2 Members approved a two year extension to the internal audit arrangement in May 2024 (Paper E/852/24) in line with the extended framework agreement.

### **2024/25 INTERNAL AUDIT PLAN**

- 3 The Audit Plan for 2024/25 was approved by the Audit Committee in June 2024 (Paper AUD/149/24). The table below summarises the audits and their current status.

<b>Audit</b>	<b>Notes</b>	<b>Audit Dates</b>	<b>Days</b>	<b>Status</b>
Leisure Services Contract (LSC) Contract Management	This review will consider the Authority's management of selected risks relating to contract management of the LSC. This may include overall contract management and performance monitoring or focus on selected sites or elements of the specification. This follows on from the LSC contract audit in 2022/23.	May 2024	10	Audit Complete  Moderate Assurance
Treasury Management	Cyclical review of core financial controls	Feb 2025	10	Scheduled
Debt	Cyclical review of core financial controls - Focus on local debts	Dec 2024	10	Scheduled

HR On-boarding and Off-boarding	This review will have a focus on Disclosure and Barring Service (DBS) checks and will consider other areas potentially including the induction process, probationary periods, supply and return of equipment, and work handovers.	Jan 2025	10	Scheduled
Cyber Security	This audit will assess the adequacy and effectiveness of the management control framework in order to mitigate the risk from cyber security attacks.	Sep 2024	15	Scoping meeting held
Data Management	This follows from the first phase audit of data management completed in 2023/24. This review will consider three further areas of the Authority's compliance with data protection law and the ICO's accountability framework: <ul style="list-style-type: none"> <li>• Transparency;</li> <li>• Individual rights; and</li> <li>• Records of processing and lawful basis.</li> </ul> The review will include consideration of: <ul style="list-style-type: none"> <li>• Policies and procedures in relation to the above topics; and</li> <li>• Staff training and awareness in relation to the above topics.</li> </ul>	Jan 2025	10	Scheduled
Follow Up	Report produced for Feb Audit Committee	Dec 2024	7	Scheduled
Management	Attend meetings, Annual Report etc		10	
Contingency			10	
<b>Total</b>			<b>92</b>	

## 5 LSC Contract Management

The final report has been received for the LSC Contract Management audit, which has given an audit opinion of Moderate Assurance. Two recommendations have been accepted, both of which are medium priority.

The findings from all of these audits will be included in the annual internal audit report and reported to Audit Committee in June 2025.

## IMPLEMENTATION OF RECOMMENDATIONS FROM AUDITS

- 6 As part of the annual programme Mazars follow up on recommendations from previous audits to review implementation. Their report from January 2024, presented to Audit Committee in February 2024 (Paper AUD/142/24), identified that 43% of recommendations had been implemented. They consider 85% implementation to be best practice. Although a further 30% of recommendations had been partly implemented this has highlighted the need to focus on fully implementing recommendations.

Since the last report there has been a focus on implementing recommendations and good progress has been made. As at the end of August 2024, the table below summarises officers' opinion on the status of all recommendations that are due to have been implemented.

Status	Recommendations Due for Implementation	
	Number	%
Implemented	9	56%
Partly Implemented	7	44%
Not Implemented	0	0%
<b>Grand Total</b>	<b>16</b>	<b>100%</b>

This 56% implementation rate (9 out of 16 recommendations) is an improvement from the 43% last year, and there are now no recommendations where work has not been started. These partly implemented recommendations are scheduled to be fully implemented by year-end. Recommendations that are not yet due for completion are also being progressed, and when we report back to Audit Committee in February we expect that Mazars' follow up review will show an implementation rate closer to 85%.

- 7 Some key recommendations that have been implemented include:
- review of Financial Regulations, focussing on the impact of the Procurement Act 2023, which is being reported to Executive on 19 September 2024 (Paper E/862/24), where Members will be asked to recommend the changes to Authority in October 2024. Once approved the procurement procedure will be updated in line with the changes, with training to be rolled out for relevant staff;
  - a fraud risk register has been created, with risk assessments completed for the key areas across Finance, HR, Procurement, IT and Active Communities where there is potential risk of fraud. **This is attached at Appendix A to this report.** The register shows that residual risk scores are all low, with the internal audit programme acting as an ongoing control across most of the risk areas; and
  - delivery of staff training on the appraisal process and Genesis HR Management system.
- 8 Of the 7 recommendations which are Partly Implemented:
- Five are categorised as medium priority, and two are low priority;
  - Two are from the Estates and Facilities audit;
  - Two are from the Staff Training and Development audit;
  - One is from the LSC Contract Management audit; and
  - One is from the Induction Management audit.
- 9 There are a further 33 recommendations that are not yet due for completion. 18% of these have already been implemented ahead of schedule. All actions that are Partly Implemented or Not Implemented have a lead officer assigned, a plan for implementation, and a target date.

#### **FRAUD RESPONSE UPDATE**

- 10 Under the Fraud Response Plan, Audit Committee will be updated regularly on any instances of fraud, corruption or whistleblowing.
- 11 There have been no new instances of fraud, corruption or whistleblowing since the last Audit Committee.

#### **ENVIRONMENTAL IMPLICATIONS**

- 12 There are no environmental implications arising directly from the recommendations in this report.

## **EQUALITY IMPLICATIONS**

- 13 There are no equality implications arising directly from the recommendations in this report.

## **FINANCIAL IMPLICATIONS**

- 14 There are no financial implications arising directly from the recommendations in this report.

## **HUMAN RESOURCE IMPLICATIONS**

- 15 There are no human resource implications arising directly from the recommendations in this report.

## **LEGAL IMPLICATIONS**

- 16 There are no legal implications arising directly from the recommendations in this report.

## **RISK MANAGEMENT IMPLICATIONS**

- 17 The internal audit programme provides assurance that the Authority has adequate controls in place to manage risks.

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## **PREVIOUS COMMITTEE REPORTS**

Audit Committee	AUD/149/24	Annual Report on the Work of Internal Audit 2023/24 and Audit Plan 2024/25	20 June 2024
Audit Committee	E/852/24	Extension of Internal Audit Arrangements	23 May 2024
Audit Committee	AUD/142/24	Internal Audit Update	29 February 2024

## **APPENDIX ATTACHED**

Appendix A Fraud Risk Register

## **LIST OF ABBREVIATIONS**

LSC	Leisure Services Contract
ICO	Information Commissioner's Office

## FRAUD RISK REGISTER AS AT 28 AUGUST 2024

Risk ID	Risk Name	Inherent Risk Score					Residual Risk Score					Progress	Action	Further Actions Needed to reduce Risk	Deadline for Completion	Updated Comments 28/08/2024	
		Lead	Impact	Likelihood	Total Score	RAG	Existing Controls	Source of Assurance	Impact	Likelihood	Total Score						RAG
F1	<b>Creditor Fraud</b> - A range of frauds can be committed against the Authority as a result of publicly available creditor payments data. Criminals undertaking these types of fraud are often found to be operating from overseas.  The most common issue is mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in banking details. Other types of fraud in this area include whaling, where senior members of the authority are targeted and impersonated in order to obtain fraudulent payments.	HoF	9	3	27	Yellow	The Authority has a number of controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details Segregation of duties exist between the ordering, invoicing and payment processes Financial Regulations Purchase Orders and Creditor procedure Credit Cards - limited cards, authorisation, spend limit	IA - Creditors 23/24, Fraud Prevention and Detection 22/23, Budgetary Control 22/23 EA	2	2	4	Green	>	Tolerate	Ensure processes associated with finance system upgrade still have sufficient controls built in	01/03/2025	Internal Audit recommendation 2324/CC/1 implemented - updated procedure notes for changing supplier details
F2	<b>Cybercrime</b> is a constantly evolving area. Criminals are continually refining their techniques in order to overcome controls put in place to protect organisations.  Types of cybercrime experienced by local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds, loss and theft of data, and access to systems being compromised.	HoIT	8	9	72	Red	The IT department manages key controls around cybercrime, for example regular staff training on cyber security, passwords, phishing, email filters etc  IT User Access procedure	IA - Fraud Prevention and Detection 22/23, Cyber Security 20/21	5	2	10	Green	>	Tolerate	Ongoing based on constantly evolving risk. Training sessions / email alerts  24/25 Internal Audit plan	Ongoing	Regular and recorded staff training, and alerts on intranet
F3	<b>Procurement fraud</b> has been perceived as a high risk by local authorities for a number of years. This includes supplier collusion / over charging  It is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority estimates that having a cartel within a supply chain can raise prices by 30% or more.	HoIT / HoL	6	4	24	Yellow	Procurement procedure Financial Regulations  The Authority's Procurement team provides guidance and advice to ensure that procurement processes are carried out correctly. Contract monitoring is implemented to help detect and deter fraud.	IA - Procurement 21/22, Contract Management 22/23, LSC Contract Management Audit 22/23 & 23/24 EA	4	2	8	Green	<>	Tolerate	IA Recommendations to be implemented: Procurement procedure and FR being reviewed. Training to be carried out on procurement and contract management	Sept 24  Mar 25	Procurement Officer recruited IA recommendations to implement: 2223/CM/1- Procurement Procedure updated - contract management guidance, and Contract Management training 2223/CM/3 - Procurement Procedure updated - ongoing due diligence/scrutiny, and training 2223/CM/4 - Review and update Contract Register 2223/CM/6 - Procurement Procedure updated - contract financial management 2324/CC/2 - Review of contract register
F4	<b>Employee Fraud</b> - There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexible working or annual leave systems, undertaking alternative work while sick, or working for a third party on Authority time. Some staff have access to equipment and material that may be misused for private purposes. This also includes cash handling and risk of theft  Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.  Corruption and bribery is a significant risk to all public sector	HoHR	5	3	15	Green	The Authority has an established Whistleblowing Policy through which concerns can be raised.  Annual Leave procedure Sickness Absence Procedure Payroll Processing Procedure - Payroll is reviewed monthly to help protect against the inclusion of 'ghost' employees.  Cashing Handling procedure - includes segregation of duties around cashing up banking etc Counter Fraud, Bribery and Corruption policy	IA - Fraud Prevention and Detection 22/23, Cash and Banking 21/22, Stock Control 21/22, Staff Absence/Leave 21/22	2	2	4	Green	<>	Tolerate	Ongoing monitoring	Ongoing	Fraud and Bribery Awareness e-learning rolled out this year  Failure to Prevent Fraud Offence - Authority are outside of scope as we do not meet 2 of the 3 criteria. However, we will still comply with the principle of 'reasonable procedures' to prevent fraud from occurring
F5	<b>Recruitment fraud</b> can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK	HoHR	3	3	9	Green	The Authority has controls in place which include verification of qualifications and reviewing references to help mitigate against the risk of fraud in this area. Recruitment procedure	IA - HR On-Boarding and Off-Boarding 19/20	2	2	4	Green	<>	Tolerate	On-boarding on 24/25 Internal Audit plan	01/03/2025	
F6	<b>Treasury Management</b> - the risk of employees with access to bank accounts using the Authority's money for their own benefit. The impact of losses in this area could be significant	HoF	9	2	18	Green	Treasury Management systems are well controlled and no fraud has been detected in this area. Financial Regulations	IA - Treasury Management 20/21 EA	5	1	5	Green	<>	Tolerate	On 24/25 Internal Audit Plan	01/03/2025	
F7	<b>Insurance Fraud</b> - The Authority may receive exaggerated or fabricated insurance claims	HoIT / HoF / HoL	3	3	9	Green	Support from Right Directions and Travellers	Annual H&S Report to Audit Committee	3	1	3	Green	<>	Tolerate	Ongoing monitoring	Ongoing	
F8	<b>Grants</b> - organisations can apply for Active Communities grants and CAF funding and may falsify information to fraudulently receive financial benefit	HoAC	3	2	6	Green	Active Communities Grant Procedure - applications assessed against set criteria, authorisation controls, grant agreements, reporting	Annual reports of delivery of objectives	2	1	2	Green	<>	Tolerate	Ongoing monitoring	Ongoing	Potential grant recipients need to provide documentation relating to robust governance policies and procedures, these include safeguarding, health and safety, equity. In addition, recipients must sign to confirm that they agree to set statements relating to financial management and prevention of bribery, corruption and fraud.



**LEE VALLEY REGIONAL PARK AUTHORITY**  
**AUDIT COMMITTEE**  
**19 SEPTEMBER 2024 AT 13:00**

**Agenda Item No:**

**8**

**Report No:**

**AUD/153/24**

## **RISK REGISTER 2024/25**

Presented by the Corporate Director (S&L)

### **SUMMARY**

At each Audit Committee Members review the Risk Register for progress against existing actions and to ensure that the Risk Register remains relevant to deal with the corporate risks facing the organisation.

At the Audit Committee in June 2024 (Paper AUD/149/24) Members approved the updated risk management strategy and corporate risk register and made a recommendation to review the purpose and meaning of the arrows on the register and add a key.

The purpose of the arrows has now been reviewed and a key has been added to the register.

The risk management strategy and corporate risk register assists Members in their consideration and approval of the Annual Governance Statement as a key part of the financial statements. A robust risk management framework and register is one key element of the Annual Governance Statement and a source of assurance for Members in approving this statement year on year as part of the published accounts.

### **RECOMMENDATIONS**

Members Approve: (1) the Corporate Risk Register included at Appendix A to this report; and

Members Note: (2) the update of the arrows and addition of a key in the Risk Register.

### **BACKGROUND**

1. Risk management is one of the key internal controls for an organisation. Members need to ensure that a sound system of internal control is maintained and an annual review of the effectiveness of the system of internal control is conducted to provide sufficient, relevant and reliable assurance to enable them to authorise the signing of the Authority's Annual Governance Statement (which is published with the financial statements).
2. Regulation 3 of the Accounts and Audit Regulations 2015 requires that:

“A relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.”

In this context “relevant authority” includes the Lee Valley Regional Park Authority.

3. Each financial year the relevant authority must:
  - conduct a review of the effectiveness of the system of internal control required by regulation 3; and
  - prepare an Annual Governance Statement - this statement must be published together with the statement of accounts and the narrative statement in accordance with regulation 10.
4. Assurance of the Authority’s internal control system is derived through the work of the internal audit function (undertaken by Mazars for the Authority); and also through the monitoring of processes put in place by management and other external bodies including those around risk management and health & safety. This provides evidence which allows the Authority to form conclusions on the adequacy and effectiveness of the systems of internal control and also on the efficiency of operations.
5. Risk management is not solely a focus on the finances of the Authority. The scope of internal control spans the whole range of the Authority’s activities and includes those controls designed to ensure:
  - the Authority’s policies are put into practice;
  - the organisation’s values are met;
  - laws and regulations are complied with;
  - required processes are adhered to;
  - financial statements and other published information is accurate and reliable; and
  - human, financial and other resources are managed efficiently and effectively.
6. The Authority approved a Risk Management Framework in April 2005 (Paper A/3798/05). The Risk Management Framework and more specifically, the Risk Register, was developed by Members and senior officers under the guidance of the internal auditors through a number of workshops and meetings. Members have regularly reviewed the register at each Audit Committee, adding in their own comments and improvements.

## **REVIEW OF THE STRATEGIC RISK REGISTER**

7. The current Strategic Risk Register is reviewed by officers and Members on an on-going basis and signed off at each Audit Committee.
8. Members last considered the risk register at the Audit Committee in June 2024 (Paper AUD/149/24).

9. Since the June Committee, officers have incorporated approved Member revisions, reviewed the register and updated the scoring. A summary of key updates on Risks can be found in Appendix B to this report.
10. The table below sets out the movement in managing the residual risks and sets out a summary of the total notional score.

11.

Risk	Residual Risks							
	24 June 2022	22 Sept 2022	23 Feb 2023	22 June 2023	21 Sept 2023	29 Feb 2024	20 June 2024	19 Sept 2024
	0	1	1	1	1	1	1	1
	18	21	17	16	15	16	16	16
	8	10	12	13	12	12	14	14
Total Risks	26	32	30	30	28	29	31	31
Notional Score	591	759	665	638	596	609	595	595

12. There has been a change to how progress is represented by the arrows within in the Risk Register following feedback from Members at the last Audit Committee. If there has been no change in the Residual Risk score, the arrows will be set to '←→' as there has been no movement since last report. If the risk has increased this will be denoted by an 'Up' arrow (↑) and if the score has gone down, the 'down' arrow (↓) will be displayed.
13. The key point to note since the last review of the Authority's Strategic Risk Register is that the overall Risk Register residual notional score has not changed and that there is one Risk that remains a High Risk.
14. The risk that is high is Risk 2.9, which relates to the continuing issue with Buckingham Group Contracting Ltd (BGCL) insolvency.
15. BGCL gave notice of intention to appoint administrators on 17 August 2023 which was then extended on 31 August 2023. This is not causing any operational issues as the building is complete. There is, however, a snagging list, which BGCL had previously been working through, but has not been fully completed. This is progressing well on site and is anticipated to be completed by the autumn. The Authority holds retention money and has all sub-contractor warranties in place and the project is therefore in a good overall position despite the administration issue. We haven't had any contact with the administrators since November 2023. Once the defects work is completed, a letter will be sent to the administrators setting out the Authority's position with regard to BCGL's liability for sums due to the Authority in respect of rectification works and liquidated damages.
16. Decisions taken to mitigate these risks will be approved by full Authority and monitoring of these risks is taking place at Executive Committee, along with the Senior Management Team and Heads of Service level.
17. Any recommendations made by Mazars following their Risk Management audit will form part of the annual review produced by Mazars.
18. A verbal update will be presented at the meeting to advise Members regarding the changes to the register which are in red font to indicate changes since the last Audit Committee risk register paper.



## **ENVIRONMENTAL IMPLICATIONS**

19. There are no environmental implications arising directly from the recommendations in this report.

## **EQUALITY IMPLICATIONS**

20. There are no equality implications arising directly from the recommendations in this report.

## **FINANCIAL IMPLICATIONS**

21. Revision of the Strategic Risk Register is a key element of this Authority's system of internal control that contributes to safeguarding the assets of the Authority and its reputation for sound financial management of public funds. This is reflected in the Authority's Annual Governance Statement published within the annual accounts and approved by this Committee.
22. Where actions require additional resources these will be identified and approved through the normal budget setting/service planning and management processes in accordance with Financial Regulations.
23. Utility costs are a significant risk that will have a material impact on the Authority's revenue outturn position. Officers will continue to monitor the tariff forecasts from Laser.

## **HUMAN RESOURCE IMPLICATIONS**

24. The additional human resource implications arising directly from this report have been outlined within the risk register actions and can be met from existing employee resources.

## **LEGAL IMPLICATIONS**

25. There are no legal implications arising directly from the recommendations in this report.

## **RISK MANAGEMENT IMPLICATIONS**

26. These are dealt with through the main body of the report and through the revised register. Continuing mitigation against these identified risks is demonstrated by the proposed actions in the Strategic Risk Register as set out in Appendix A to this report.

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## **BACKGROUND REPORTS**

Lee Valley Regional Park Authority Risk Management Strategy June 2018

## **APPENDICES ATTACHED**

Appendix A 2024/25 Corporate Risk Register – Authority

Appendix B	Risk Register updates
Appendix C	Risk Scoring Criteria (extract from the approved risk management strategy (June 2022)).

## ABBREVIATIONS

BGCL	Buckingham Group Contracting Ltd
LSC	Leisure Services Contract

## PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/149/24	Risk Register 2023/24	20 June 2024
Audit Committee	AUD/144/24	Risk Register 2023/24	29 February 2024
Audit Committee	AUD/138/23	Risk Register 2023/24	21 September 2023
Audit Committee	AUD/132/23	Risk Register 2023/24	23 June 2023
Audit Committee	AUD/131/23	Risk Register 2022/23	23 February 2023
Audit Committee	AUD/129/22	Risk Register 2022/23	22 September 2022
Audit Committee	AUD/126/22	Risk Register 2021/22	23 June 2022
Risk Management Workshop			24 March 2022
Audit Committee	AUD/124/22	Risk Register 2021/22	24 February 2022
Audit Committee	AUD/123/21	Risk Register 2021/22	23 September 2021
Audit Committee	AUD/118/21	Risk Register 2020/21	24 June 2021
Audit Committee	AUD/116/21	Risk Register 2020/21	25 February 2021
Audit Committee	AUD/113/20	Risk Register 2020/21	22 October 2020
Audit Committee	AUD/111/20	Risk Register 2020/21	25 June 2020
Executive Committee	E/674/20	Emergency Budget 2020/21	21 May 2020
Audit Committee	AUD/106/20	Risk Register 2019/20	27 February 2020
Audit Committee	AUD/104/19	Risk Register 2019/20	19 September 2019
Audit Committee	AUD/101/19	Risk Register 2019/20	20 June 2019
Audit Committee	AUD/97/19	Risk Register 2018/19	14 February 2019
Audit Risk Workshop			07 June 2018

SR1 Legal																	
Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Progress	Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR1.1	Deputy Chief Executive	Deputy Chief Executive	Failure to comply with the 1966 Park Act, data protection law and other statutory requirements.	Provision of Legal Services Member scrutiny through Authority & Committee meetings Annual Governance statement Park Act Awareness covered by inductions for new staff.	EA -Annual Audit Letter IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly	8	7	56	Red	6	1	6	Green	↔	Tolerate	Continue Induction Process and monitoring of statutory changes. Review of data protection procedures and arrangements against ICO Accountability Framework to ensure alignment with ICO expectations.	Quarterly
SR1.2	Corporate Director	Corporate Director (S&L)	Failure to comply with Health & Safety legislation	Health and Safety management H&S manual (procedures) regularly reviewed by RDHS who monitor up and coming legislation. H&S Policy Updated annually Risk Reduction Plan complete. External H&S Assessment 5* Annual Report to Audit Committee	RD/SMT 1/4ly Reports BSC 3 yr. ext. review RD Annual Audits M Year Report	9	6	54	Red	7	2	14	Green	↔	Tolerate	Annual Internal Audit & H&S Audit Plans delivered.	On-going

SR2 Contractual																	
Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Progress	Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR2.1	Head of Finance	Deputy Chief Executive / Head of Finance	Agreeing to accept a partners' financial terms and conditions that will place an unacceptable long term liability on the Authority	Reports to SMT and Members Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code.	M Exec Monthly LA agreement	9	4	36	Yellow	8	2	16	Green	↔	Tolerate	Ongoing resources review for specific projects	Quarterly
SR2.2	Corporate Director	Corporate Director (S&L)	Contractors, Governing Bodies, or Third Party Operator not delivering agreed objectives/contract	All contracts reviewed prior to commencement by a responsible officer. Delivery monitored by Director/Head of Service and performance monitoring team Quarterly Performance Reports to Executive & Scrutiny Committees	M Exec Monthly M Scrutiny 1/4ly	7	5	35	Yellow	6	2	12	Green	↔	Tolerate	Quarterly Contract monitoring.	Executive Quarterly Monitoring
SR2.3	Corporate Director	Head of Active communities	Management of Facilities Contracts & failure to maintain assets to a good H&S and operational standard	Advice and support APMD plus external contractors. Quality contactors employed for maintenance through procurement (Price Quality ratio applied)	APMD Annual Inspections	9	4	36	Yellow	7	1	7	Green	↓	Treat	Ongoing Monitoring	Annual Inspections & Review. MPG Work complete by 31/03/25
SR2.4	Corporate Director / Head of Finance	Corporate Director (S&L)	Contractor stability affected by external influences or national/international conditions prevailing at the time	Reports to SMT and Members. Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code.	M Exec Monthly M Scrutiny 1/4ly	9	8	72	Red	8	4	32	Yellow	↓	Tolerate	Quarterly Contract monitoring.	Executive Quarterly Monitoring
SR2.5	Corporate Director	Corporate Director	Insufficient contractors tendering for contracts	Reports to SMT Financial/Legal/Risk Implications fully appraised. Appraisal of procurement process.	SMT Monthly & 1/4ly Reports M Exec 1/4ly M Authority Annual Budget IA Audit Plan	4	5	20	Yellow	5	3	15	Green	↓	Treat	Review of Procurement process Tender Evaluation Award of Contract	31/03/2025
SR2.6	Corporate Director	Corporate Director	Major equipment or other failure at one or more venues resulting in temporary/permanent cessation of operations	Reports to SMT Financial/Legal/Risk Implications fully appraised. Application of Business Continuity protocols.	SMT Monthly & 1/4ly Reports M Exec 1/4ly M Authority Annual Budget IA Audit Plan	9	6	54	Red	7	3	21	Yellow	↓	Treat	Ongoing Monitoring	On-going
SR2.7	Corporate Director	Corporate Director	Failure of LSC contractor organisation or failure of LSC contractor to deliver as required by contract	Reports to SMT Financial/Legal/Risk Implications fully appraised. Application of Business Continuity protocols.	SMT Monthly & 1/4ly Reports M Exec 1/4ly M Authority Annual Budget IA Audit Plan	9	8	72	Red	5	4	20	Yellow	↓	Treat	Ongoing Monitoring by Authority Continual review of LSC contractor's financial position	On-going
SR2.8	Deputy Chief Executive	Head of Active communities	Management of Facilities Contracts & failure to maintain assets to a good H&S and operational standard	Advice and support APMD plus external contractors. Quality contactors employed for maintenance through procurement (Price Quality ratio applied). Performance department regular inspections carried out	APMD Annual Inspections PR Monthly inspections M Exec Monthly M Scrutiny 1/4ly	9	4	36	Yellow	5	3	15	Green	↓	Treat	Ongoing Monitoring Implement pre 2020 condition survey work	Annual/ Monthly Inspections & Review.
SR2.9	Corporate Director / HoF	Corporate Director (S&L)	Buckingham Construction insolvency results in unexpected costs / operational issues for the Authority that would otherwise have fallen to Buckingham to meet / resolve.	Reports to SMT and Members. Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code.	M Exec Monthly M Scrutiny 1/4ly	9	8	72	Red	8	7	56	Red	↓	Treat	Quarterly Contract monitoring.	Executive Quarterly Monitoring

SR3 Resources																	
Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Progress	Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR3.1	Head of IT & Business Support	Corporate Director / Head of IT & Business Support	I.T. infrastructure does not meet future business need requirements. Authority requires funding for updating or improving I.T infrastructure	Reports to Members Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code. IT Infrastructure upgrade comes from Capital budget	SMT Weekly Meeting Minutes IA Audit Plan EA - Annual Audit Letter	9	4	36	Yellow	8	3	24	Yellow	↔	Treat	Procurement or upgrade Finance system to a SaaS system. Adopt strategy of moving to hosted systems.	31/03/2025
SR3.2	Head of IT & Business Support	Corporate Director / Head of IT & Business Support	Inadequate I.T Infrastructure/ Systems/Data to operate LSC venues	Reports to Exec. Financial/Legal/Risk Implications fully appraised. Financial Appraisal of relocation/updating of Authority IT assets. New Usage Counters. Existing IT Infrastructure Budget	SMT Weekly Meeting Minutes IA Audit Plan EC - LSC Specification	7	5	35	Yellow	5	1	5	Green	↔	Tolerate	Ongoing Monitoring through regular meetings with GLL	On-going
SR3.3	Chief Executive	Chief Executive / Head of HR	The Authority fails to recruit/retain staff at all levels of the appropriate calibre	Reward & Recognition. Training & development framework. Management Away Days. Staff presentations. Internal/External communications. Up to date staff handbook. Up to date policies. Training Panel funding	M Annual Sickness Report M - Policy Reports SMT Annual Training panel	8	8	64	Red	6	6	36	Yellow	↔	Treat	Ongoing Monitoring	On-going

SR4 Financial Management																	
Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Progress	Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR4.1	Head of Finance	Head of Finance	Financial Risks of over/under spent budget through non-achievement of income targets or inaccurate budget forecasting. Insufficient Resources to meet objectives	Quarterly Budget monitoring reports Weekly review against Centre Business Plan targets Medium Term Financial Plan updated £3-4m Minimum Reserves Policy reviewed Statutory Power to Levy	M Exec 1/4ly M Authority Annual Budget SMT Monthly & 1/4ly Reports	9	7	63	Red	8	4	32	Yellow	↔	Tolerate	Ongoing budget monitoring & review MTFP in September	Executive Quarterly Monitoring
SR4.2	Head of Finance	Head of Finance	Financial Risks of either greatly increased insurance costs or insurers refusal to insure Authority due to increased risks brought on by prevailing conditions	Budget monitoring reports Authority/LSC Contractor (at contract commencement) monitoring meetings Budget Review 2020/21 complete Medium Term Financial Plan £3-4m Minimum Reserves Policy Statutory Power to Levy Emergency Budget 2020/21	M Exec 1/4ly M Authority Annual Budget SMT Monthly & 1/4ly Reports	9	7	63	Red	8	3	24	Yellow	↔	Tolerate	Liaison with Insurance brokers re level of cover	Executive Quarterly Monitoring
SR4.3	Head of Finance	Head of Finance	Failure of GLL to achieve 90% of income target in Year 1, resulting in renegotiation of Year 2 MF	<b>Risk Removed from Register</b>		0	0	0	Green	0	0	0	Green			This risk has been removed as it refers to GLL achieving income in year 1 of the contract and renegotiating year 2. GLL are now in year 3 of the contract meaning this risk is no longer relevant.	
SR4.4	Head of Open Space	Ranger Senior Managers	Failing of and health management of ageing tree stock	Annual Tree Audits	M Working group meetings	6	4	24	Yellow	3	2	6	Green	↔	Tolerate	Potential external Tree Health audit with associated 5-10 yr plan	30/03/2025

SR5 Governance & Leadership																	
Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Progress	Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR5.1	Chief Executive	Chief Executive	Lack of a clear corporate direction	Authority meetings SMT BP 2024-27 MTFP 2024-27 CD and HoS meetings Levy Strategy Land & Property Strategy Vision 2010-2020	M 1/4ly Full Authority Meetings M Exec Committee x 12 M Working Groups SMT Weekly Meeting Minutes	9	7	63	Red	9	2	18	Yellow	↔	Tolerate	Business Plan 2024-2027 in place	On-going
SR5.2	Chief Executive	Chief Executive	Impact on the Authority's powers to raise the Levy with resistance from many constituent councils.	Stakeholder engagement Clear Budget/Levy Direction Funded Financial Plan Statutory Levy Raising Powers Monitoring of Legislation	SMT Weekly Meeting Minutes LA as needed	9	7	63	Red	9	1	9	Green	↔	Tolerate	Business Plan 2024-2027 in place	Quarterly Monitoring 31/03/2025
SR5.3	Head of Finance	Head of Finance	Failure for 2021/22 and 2022/23 accounts to have gain audit assurance	External Audit Regulations & Legislation DLUHC Consultation	SMT M Audit Committee E External Auditors	7	7	49	Red	4	6	24	Yellow	↔	Treat	Completion of outstanding accounts Publication of draft accounts Engagement with External Auditors	13/12/2024

SR6 Reputation/Communication																	
Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Progress	Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR6.1	Head of Comms	Head of Comms	Impact on Authority's reputation due to service failure, damaged stakeholder and/or contractor relationships.	Venue and service communication plans. Proactive marketing, media relations, speaker engagement and stakeholder engagement	SMT Weekly Meeting M 1/4ly Authority Meetings M Exec Monthly Stakeholder Perception KPI	7	5	35	Yellow	6	3	18	Yellow	↓	Treat	Regular meetings with Authority business owners and GLL marketing team to plan and coordinate activity	Quarterly Monitoring Report
SR6.2	Head of Comms	Head of Comms	Impact on Authority's reputation due to service failure caused by pandemic or infectious disease, damaged stakeholder and/or contractor relationships.	Managed via social media, web and digital updates, Media relations, Internal communications, Utilisation of new technologies, Venue communications	SMT Weekly Meeting Venues re-opening group Weekly Meetings M 1/4ly Authority Meetings M Exec Monthly	8	5	40	Yellow	6	3	18	Yellow	↓	Treat	Social media, digital communications, web updates and media relations proactively explaining our position as a result of any Government announcements on Covid19 or other communicative infectious disease and our key business activities such as staged reopening of venues. Ensuring all aspects of customer, partner, club and NGB communications are carried out Strong liaison with venues, open spaces and other parts of the Authority affected by Coronavirus to ensure comms work aligns with key business objectives Regular and extensive internal comms utilising technologies such as video conferencing, group chats to keep all staff, furloughed and working engaged and involved.	Quarterly Monitoring Report

SR7 Business Continuity																	
Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Progress	Action	Deadline for Completion Actions	Further Actions Needed to reduce Risk
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR7.1	Chief Executive	Corporate Director	Inadequate business continuity implementation at any (all) sites following natural disaster, IT failure including Cyber Terrorism, Flooding, Disease Outbreak (animals/humans), Terrorism.	Emergency Action Planning IT Disaster Recovery Plan Business Interruption Insurance Adequate Cover arrangements exist for Senior Management Site DRP & Management Plans Joint LSC Contractor/Authority Training Insurance Policies/Funds General Reserves H&S Audits Working with EA/CRT and other Local Authorities	EA -Annual Audit Letter IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly	6	5	30	Yellow	5	4	20	Yellow	↓	Treat/Transfer	Quarterly Monitoring	Audit Recommendations implemented Further training and testing. LSC Contractor Risk Register - alignment re risk and continuity

SR7.2	Chief Executive	Chief Executive / Corporate Director	Inadequate pandemic or infectious disease management processes in place park wide following major pandemic outbreak/further spikes in Covid 19 or other infectious disease and more restrictions including local tier restrictions and national lockdowns	Pandemic Planning Procedure Emergency Pandemic Protocols IT Operational Procedures	RD/SMT 1/4ly Reports RD Annual Review Pandemic Procedures IA Audit Plan SMT Weekly Meeting Minutes M Exec Monthly	9	7	63		6	6	36		↓	Treat	Executive Quarterly Monitoring	H & S Recommendations, implemented Training and reviews of financial, legal, leadership protocols Update of communication processes Review of staffing structure to continue business
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SR8 Environmental Management

Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions	
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR8.1	Deputy Chief Executive	Deputy Chief Executive	Failure to manage contamination could be a risk to users, this includes land and/or water contamination (also damage to reputation from failing to manage contamination)	Site investigations carried out prior to developments & land remediated. Site investigations carried out on some other sites. Some sites monitored. Sites closed to public access where contamination is significant. Contaminated Land Policy Member Task & Finish group Completion of Contaminated Land Strategy & Policy Consultant Site Investigations work completed.	M 1/4ly Authority Meetings M Working Groups Exec Monthly SMT Weekly Meeting Minutes	9	7	63		7	2	14		↔	Tolerate	Ongoing monitoring	Ongoing Monitoring plus analysis when land sold/purchased or developed

SR9 Major Business Developments

Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions	
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR9.1	Chief Executive	Corporate Director (S&L)	Ice Centre. Failure in Strategic Risks 1-8 above in the development of the Ice Centre circa £30m project and Legal Challenge.	<b>Risk Removed from Register</b>		0	0	0		0	0	0			This risk has been removed as it refers to the development of Ice Centre and the risk of a legal challenge. As the Ice centre has been open for almost a year now, the risk is no longer relevant.		
SR9.2	Chief Executive	Deputy Chief Executive	Picketts Lock Development. Failure in Strategic Risks 1-8 above in the development of the Picketts Lock circa £40m project and Legal Challenge	Legal Advice Prudential Code Feasibility Studies Existing PR/Comms Feasibility budget Working with LB Enfield Planning Advice Land & Property Member Group	EC Reports SMT Weekly Meeting Minutes M Exec Monthly 1/4ly Authority Meetings M Working Groups Audit Plan EA - Annual Audit Letter	8	8	64		7	5	35		↓	Treat	Planning Approval Business Plan Design Team Engagement stakeholders, users and local community	31/09/2025

SR10 Implications of Implementing Land & Property Strategy

Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions	
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR10.1	Deputy Chief Executive	Head of Property	Acquisitions- Opportunity Cost of Resources, Reducing Available Resources or increasing future liabilities	Legal Advice - Park Act Park Act L&P Strategy Land Contamination Strategy Medium Term Financial Plan Land & Property Working Group	EC Reports SMT Weekly Meeting Minutes M Exec Monthly 1/4ly Authority Meetings M Working Groups IA Audit Plan EA - Annual Audit Letter	8	6	48		4	2	8		↔	Tolerate	Seek External Advice incl. Planning Context. Identify Resources. Members Decision. Ongoing Monitoring. Consultation	31/03/2025
SR10.2	Deputy Chief Executive	Head of Property	Disposals - Legal challenge, Reputational Damage, reduced public access or bio diversity. Failure to deliver anticipated capital resources through land disposal due to the constraints imposed by the riparian boroughs/districts and other agencies, e.g. green belt/flood risk/contaminated land	Legal Advice - Park Act Park Act L&P Strategy Medium Term Financial Plan Land & Property Working Group	EC Reports SMT Weekly Meeting Minutes M Exec Monthly 1/4ly Authority Meetings M Working Groups IA Audit Plan EA - Annual Audit Letter	8	7	56		6	3	18		↓	Treat	Seek External Advice where necessary incl. Planning Context. Members Decision. Consultation	31/03/2025

SR11 Impact of Brexit on Authority

Risk ID	Lead	Officer(s) Responsible	Risk Description	Existing Controls	Source of Assurance	Inherent Risk Score				Residual Risk Score				Action	Further Actions Needed to reduce Risk	Deadline for Completion Actions	
						Impact	Likelihood	Total Score	RAG	Impact	Likelihood	Total Score	RAG				
SR11.1	Chief Executive / Deputy Chief Executive	Deputy Chief Executive/ Head of Finance	Failure in Strategic Risks 1-10 above due to changes in the Economic and Business climate brought about by changes following the departure from the European Union	Legal Advice Medium Term Financial Plan General/Capital Reserves Treasury Management Policy Annual Investment Strategy Prudential Code Power to Levy Land & Property Member Group Annual/Triennial pension valuations	EC Reports SMT Weekly Meeting Minutes M Exec Monthly 1/4ly Authority Meetings M Working Groups Audit Plan EA - Annual Audit Letter	7	9	63		6	6	36		↓	Treat	Monitor: Potential Land disposal Interest rates Third Party investors/ stakeholders Legal framework Pension valuations	Ongoing

## Risk Register updates

Risk ID	Risk Description	Updates
SR2.9	Buckingham Group Construction Ltd insolvency results in unexpected costs / operational issues for the Authority that would otherwise have fallen to Buckingham to meet / resolve.	We haven't had any contact with the administrators since November 2023. Once the defects work is completed, a letter will be sent to the administrators setting out the Authority's position with regard to BCGL's liability for sums due to the Authority in respect of rectification works and liquidated damages
SR3.1	I.T. infrastructure does not meet future business need requirements. Authority requires funding for updating or improving I.T infrastructure	Although there is no change in the residual risk score, significant progress has been made with the new Finance System which; once launched will reduce the score. Launch date is planned for Quarter 4 of 2024/2025.
SR4.1	Financial Risks of over/under spent budget through non-achievement of income targets or inaccurate budget forecasting. Insufficient Resources to meet objectives	Risk unchanged since previous quarter. Forecasts for 2024/25 based on current activity and spend. Continuing review of MTFP in line with prevailing assumptions on inflation and service delivery. Continued monitoring of expenditure, income, operational capacity and usage.
SR4.2	Financial Risks of either greatly increased insurance costs or insurers refusal to insure Authority due to increased risks brought on by prevailing conditions	Risk unchanged since previous quarter. Insurance is arranged annually for period October X1 to September X2. Liaison required with Insurance brokers with regards to any changes in insurance cover and premiums. Meeting with broker in September 2024 to finalise upcoming renewal Review of insurance property values, and insurable items, required to ensure sufficient arrangements/coverage
SR5.3	Failure for 2021/22 and 2022/23 accounts to have gain audit assurance	Following the General Election in July, the MHCLG has issued a statement announcing that the Government intended to legislate to implement revised proposal that a backstop date of 13/12/2024 be put in place to conclude all outstanding audits up to and including 2022/23. This date is being set to allow auditors time to issue opinions. These may result in modified or disclaimed opinions due to this backstop. There may be governance, reputational, and financials risk associated with failure to secure full assurance, which in turn may result in additional works required for future (2023/24 onwards) audits. The consultation also set out realigning with existing regulations by 2026/27. The situation is across the whole local authority sector, and not specific to the Authority, although trust in Public Sector accounts may be reduced is a large number of disclaimed/modified opinions are issued.

		Early engagement once consultation is complete to ensure full assurance by backstop."
SR6.1	Impact on Authority's reputation due to service failure, damaged stakeholder and/or contractor relationships.	Improvements have been made to the way GLL assess their marketing activity which makes it easier to assess this crucial component of our reputation.

## Risk Appetite

Risks are currently assessed using a 1-9 scale for both impact and likelihood. The Authority's risk appetite is then defined using the scoring matrix below.

Impact	9	9	18	27	36	45	54	63	72	81
	8	8	16	24	32	40	48	56	64	72
	7	7	14	21	28	35	42	49	56	63
	6	6	12	18	24	30	36	42	48	54
	5	5	10	15	20	25	30	35	40	45
	4	4	8	12	16	20	24	28	32	36
	3	3	6	9	12	15	18	21	24	27
	2	2	4	6	8	10	12	14	16	18
	1	1	2	3	4	5	6	7	8	9
		1	2	3	4	5	6	7	8	9

Likelihood

Those risks with a residual score in the green zone are generally considered to be managed to an acceptable level and hence limited or no further actions would be expected.

For those risks with a residual score in the amber zone, the exposure is considered to be partially acceptable. Further actions would be needed to lower this into the green zone, although a decision has to be made as to whether this is cost effective, given that resources are constrained.

Those risks with a residual score in the red zone are considered to have an exposure that is at an unacceptable level and hence further actions are needed to lower this.

On some occasions a decision may be made to accept a higher level of residual risk, although this will be subject to ongoing review and consideration at both Senior Management Team and Member level.



## Scoring Criteria

Each risk is scored on the basis of the following criteria for impact and likelihood, both for inherent and residual risk. Whilst the assessment remains subjective, these criteria serve as a guide and are used to help ensure consistency in scoring across each of the risks identified.

	Impact	Likelihood
1	No impact	<1% likely to occur in next 12 months
2	Financial loss up to £1,000 or no impact outside single objective or no adverse publicity	1%-5% likely to occur in next 12 months
3	Financial loss between £1,000 and £10,000 or no impact outside single objective or no adverse publicity	5%-10% likely to occur in next 12 months
4	Financial loss between £10,000 and £25,000 or minor regulatory consequence or some impact on other objectives	10%-20% likely to occur in next 12 months
5	Financial loss between £25,000 and £50,000 or impact on other objectives or local adverse publicity or strong regulatory criticism	20%-30% likely to occur in next 12 months
6	Financial loss between £50,000 to £250,000 or impact on many other processes or local adverse publicity or regulatory sanctions (such as intervention, public interest reports)	30%-40% likely to occur in next 12 months
7	Financial loss between £250,000 to 500,000 or impact on strategic level objectives or national adverse publicity or strong regulatory sanctions	40%-60% likely to occur in next 12 months
8	Financial loss between £500,000 to £1 million or impact at strategic level or national adverse publicity or Central Government take over administration	60%-80% likely to occur in next 12 months
9	Financial loss above £1 million or major impact at strategic level or closure/transfer of business	>80% likely to occur in next 12 months

### Progress

- ↓ Risk has reduced.
- ↑ Risk has increased.
- ↔ Progress or Risk has not changed.