

Public Document Pack



**North
Northamptonshire
Council**

Meeting: Audit and Governance Committee
Date: Monday 31st January, 2022
Time: 2.00 pm
Venue: Council Chamber, Council Offices, Swanspool House, Doddington Road, Wellingborough, Northants, NN8 1BP

To:

Members of the Audit and Governance Committee

Councillors Andrew Weatherill (Chair), Kirk Harrison (Vice-Chair), Jean Addison, Matt Binley, Ian Jelley, Anne Lee, Richard Levell, Mark Pengelly, Russell Roberts and Kevin Watt.

Substitutes:

Councillors Valerie Anslow, John Currall, Bert Jackson, Matt Keane, Paul Marks, Peter McEwan and Lee Wilkes.

A G E N D A SUPPLEMENT

The following additional report and appendices have now been published which were not available at the time the agenda was published.

Item	Subject	Page no.
06.	Audit Results Report 2019-2020 - East Northamptonshire Council	5 - 58

This agenda has been published by Democratic Services.

Committee Administrator: Fiona Hubbard

☎01933 231 519

✉Fiona.Hubbard@northnorthants.gov.uk

Members' Declarations of Interest

Members are reminded of their duty to ensure they abide by the approved Member Code of Conduct whilst undertaking their role as a Councillor. Where a matter arises at a meeting which **relates to** a Disclosable Pecuniary Interest, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation.

Where a matter arises at a meeting which **relates to** other Registerable Interests, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but must not take part in any vote on the matter unless you have been granted a dispensation.

Where a matter arises at a meeting which **relates to** your own financial interest (and is not a Disclosable Pecuniary Interest) or **relates to** a financial interest of a relative, friend or close associate, you must disclose the interest and not vote on the matter unless granted a dispensation. You may speak on the matter only if members of the public are also allowed to speak at the meeting.

Members are reminded that they should continue to adhere to the Council's approved rules and protocols during the conduct of meetings. These are contained in the Council's approved Constitution.

If Members have any queries as to whether a Declaration of Interest should be made please contact the Monitoring Officer at – monitoringofficer@northnorthants.gov.uk

Press & Media Enquiries

Any press or media enquiries should be directed through Council's Communications Team to communications@northnorthants.gov.uk

Public Enquiries

Public enquiries regarding the Authority's meetings can be made to democraticservices@northnorthants.gov.uk

NORTH NORTHAMPTONSHIRE COUNCIL AUDIT AND GOVERNANCE COMMITTEE

31st January 2022

Report Title	Audit Results Report 2019-2020 East Northants District Council	
Report Author	Claire Edwards – Assistant Director of Finance & Accountancy Claire.Edwards@northnorthants.gov.uk	
Contributors/Checkers/Approvers		
North MO		
North S151		
Other Director/SME	N/a	N/a

List of Appendices

Appendix A – ISA 260

Appendix B – Management Representation Letter

1. Purpose of Report

- 1.1. The purpose of this report is to present the draft ISA 260 Report in relation to the Statement of Accounts for the East Northants District Council for 2019/20 to those charged with Governance. This has been prepared by the Council's External Auditor (EY), and to agree that the approval of the Council's draft Management Representation Letter be delegated to the Executive Director of Finance (s151) in consultation with the Chair of the Audit and Governance Committee.

2. Executive Summary

- 2.1. This report requires the Committee to approve the Provisional Audit Results Report (draft ISA 260) and the Council's draft Management Representation Letter.

3. Recommendations

3.1. It is recommended that the Committee.

- a) Receives the Provisional Audit Results Report to those charged with Governance and approve the draft Management Representation Letter.
- b) Delegate any adjustments to the draft Management Representation Letter to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

3.2. Reason for Recommendations –

- It is a statutory requirement for the Council to approve the ISA 260. In accordance with the Council's constitution the Audit & Governance Committee are required to undertake this function.

4. Report Background

4.1. The Councils governance arrangements require this Committee to receive and approve the Statement of Accounts for the former District and Borough Councils in North Northamptonshire.

4.2. The accounts for East Northants District Council remain in draft format as the following issues are to be concluded:

- Property Valuations – conclusion of specialist valuations by EY
- Bank Reconciliation – conclusion of review
- Value for Money Reporting – conclusion of value for money arrangements
- Finalisation of internal review procedures
- Completion of subsequent events review
- Signed management representation letter

4.3. A further requirement is for the Council to provide representations on specific matters such as the Councils financial standing and whether the transactions within the accounts are legal and unaffected by fraud. The draft Management Representation Letter detailed at Appendix B sets out that the accounts have been prepared in accordance with statutory legislation and fairly represent the transactions of the Council and no additional disclosures are required in the financial statements, over and above those already disclosed. A final Management Representation Letter will be issued once the items in 4.2 are concluded.

4.4. A representative of the Council's appointed auditor will be at the meeting to present the report and answer Member questions.

5. Issues and Choices

- 5.1. The Committee is being requested to approve the provisional Audit Results Report (draft ISA 260) for East Northants District Council and delegate any adjustments to the draft Management Representation Letter to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.
- 5.2. It is a statutory requirement for the Council to approve the annual Statement of Accounts and to consider the External Auditors report (Item 7 on this Agenda). In accordance with the Council's constitution the Audit and Governance Committee are required to undertake this function.

6. Implications (including financial implications)

6.1. Resources and Financial

- 6.1.1. The financial implications are set out within the Provisional Audit Results Report.

6.2. Legal

- 6.2.1. The approval of the ISA 260 is required for the Council to meet its legal responsibilities under the Accounts and Audit Regulations 2015.

6.3. Risk

- 6.3.1. The Council's External Auditors have set out the risks in their Provisional Audit Results Report (Appendix A).

6.4. Consultation

- 6.4.1. None specific to this report.

6.5. Consideration by Scrutiny

- 6.5.1. Not specific to this report.

6.6. Climate Impact

- 6.6.1. None specific to this report.

6.7. Community Impact

- 6.7.1. None specific to this report.

7. Background Papers

- 7.1. North Northamptonshire Council Constitution.

This page is intentionally left blank

**East
Northamptonshire
Council**
Audit results report
Year ended 31 March 2020
January 2021

Page 7

Appendix

EY

Building a better
working world



19 January 2022



Dear Audit and Governance Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit and Governance Committee.

We have substantially completed our audit of the Council for the year ended 31 March 2020, As set out on pages 5 and 6, a number of issues have arisen as a result of COVID-19 which impacted on our audit. We are yet to conclude on audit work in relation to the Monks Case and the recent financial settlement and decision made by North Northamptonshire Council in December 2021. We are obtaining the decision making papers, including legal advice, to review and determine the impact on the financial statements on an adjusting event after the financial reporting period. We are also considering whether the recent settlement agreement impacts on our reporting of the adequacy of East Northamptonshire Council's value for money arrangements in the period to 31 March 2020 and whether we need to modify our statutory conclusion. Our VFM reporting will be assessing the decision made in 2019-20 in relation to the case, and the adequacy of arrangements put in place to consider the financial, legal and reputational risks for East Northamptonshire Council at the time.

As part of our VFM reporting we are also considering the adequacy of the Council's arrangements for financial reporting, particularly as the Council did not perform a bank reconciliation exercise throughout 2019/20. Following the completion of the bank reconciliation in 2021 management have identified various payments which will need further investigation and outcome will be communicated to this committee.

Should the above issues lead to a modification of our VFM reporting we will be required to consult with our Professional Practice Department before we can issue the audit opinion. This report is intended solely for the use of the Audit and Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement. We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 31 January 2021.

Yours faithfully

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Page 9



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Executive Summary



Executive Summary

Status of the audit

We have substantially completed our audit of East Northamptonshire Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4:

- ▶ Property valuations - our specialist is yet to conclude on a sample of property valuations
- ▶ Contingent liability - we are yet to conclude on audit work in relation to the Monks Case. We are awaiting managements accounting assessment which will set out their proposed treatment of the case in the 2019-20 financial statement which we expect to be an adjusting post balance sheet event as the recent settlement decision points to unfavourable indicators on conditions that existed at the 31st March 2020. We are also considering the impact on our VFM reporting. Our VFM reporting will be assessing the decision made in 2019-20 in relation to the case.
- ▶ Bank Reconciliation - the Council did not perform a bank reconciliation throughout 2019/20. Following the completion of the bank reconciliation in 2021 management have identified various payments which will need further investigation and outcome will be communicated to this committee.
- ▶ Value for Money reporting and any modifications - subject to the above matters, we will need to conclude our audit procedures and consult with our professional practice team on any proposed modifications to our Value for Money conclusion and reporting on the adequacy of the Council's value for money arrangements.

Finalisation of internal review procedures - completion of the engagement manager and engagement partner quality review procedures on the audit file
Completion of subsequent events review; and
Receipt of the signed management representation letter

Page 11

Audit differences

We have identified audit differences relating to the valuation of pension fund asset. Please see further details in section 4.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

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

Control observations

Pending conclusion on our work on the Bank reconciliation exercise, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

We are yet to conclude on audit work in relation to the Monks Case. We are considering the impact on our VFM reporting. Our VFM reporting will be assessing the decision made in 2019-20 in relation to the case.

As part of our VFM reporting we are also considering the adequacy of the Council's arrangements for financial reporting as the Council did not perform a bank reconciliation throughout 2019/20. Following the completion of the bank reconciliation in 2021 management have identified fraudulent payments. Due to the fraudulent payments made in the year under audit we have engaged with our forensics team to assess management's investigation into the fraudulent payment.

Should the above issue lead to a modification of our VFM reporting we will be required to consult with our Professional Practice Department before we can issue the audit opinion.



Executive Summary

Other reporting issues

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

However, we note the Monks case and the bank reconciliation issue are not currently reflected in the Annual Governance Statement and we would expect these matters and any significant governance points and actions to feature in the final statement before the 2019-2020 financial statements are authorised for issue. We are discussing with management the revisions required to the Annual Governance Statement to reflect these matters.

We have no other matters to report.

Independence

We have no issues to report.

Please refer to Section 9 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

Page 27

What judgements are we focused on?

As part of our work we focused the key judgemental areas of financial statements, such as accounting policies, the model applied to the minimum revenue provision and unusual transactions.

We reviewed accounting estimates for evidence of management bias, and specifically focused on the following:

- ▶ IAS 19 disclosures;
- ▶ NDR appeals provision; and
- ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

What did we do?

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

What are our conclusions?

Subject to completion of our final internal quality review our audit work found no evidence that management had attempted to override internal controls.

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

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





Areas of Audit Focus

Significant risk



Further details on procedures/work performed

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

We have:

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

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

Reviewed the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.

Reviewed, discussed with management and challenged any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:

- ▶ IAS 19 disclosures;
- ▶ NDR appeals provision; and
- ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

We found that the valuation method for each of the above has not changed from prior years.

- ▶ Reviewed the transactions in the financial statements for evidence of any significant unusual transactions.
- ▶ In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk related to the capitalisation of revenue expenditure as set out on the next slide.



Areas of Audit Focus

Significant risk

Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure

What is the risk?

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

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

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

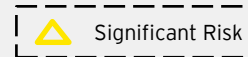
What did we do?

Our approach will focus on:

- ▶ For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- ▶ We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- ▶ Journal testing - we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

What are our conclusions?

Subject to completion of our final internal quality review, we are satisfied that capital additions made in the year met the requirements of IAS 16, and had been correctly capitalised





Areas of Audit Focus

Significant risk

Valuation of investment property

What is the risk?

The Council holds a significant investment property portfolio. The valuation of property is complex and subject to several assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

Difficulties in the retails sector in particular have led to many retailers, including well-known names, closing stores, going into administration, or otherwise looking to reduce their rental costs by renegotiating existing leases.

These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers.

Page 18

What did we do?

We have:

- ▶ Considered the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Councils Valuer
- ▶ Consider the annual cycle of valuations to ensure that investment properties are being revalued every year.
- ▶ Tested accounting entries have been correctly processed in the financial statements; and
- ▶ We also noted that the Council valuer attached a 'material uncertainty' clause to their valuation as a result of Covid. We reviewed the adequacy of the disclosure of this in the Council's accounts.

What are our conclusions?

As highlighted in our executive summary, we have instructed our specialist to review a sample of asset valuations. Our specialists have started these procedures but are yet to conclude on their work. Otherwise, subject to the outcome of these audit procedures and our internal quality file review procedures, we have no other matters to report.





Areas of Audit Focus

other risk

Valuation of property, plant & equipment

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and is subject to valuation changes and impairment reviews.

Management is required to make material judgements about key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Page 69

What did we do?

We have:

- ▶ Considered the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer 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 assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- ▶ Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation;
- ▶ Tested accounting entries have been correctly processed in the financial statements; and
- ▶ We also noted that the Council valuer attached a 'material uncertainty' clause to their valuation as a result of Covid. We reviewed the adequacy of the disclosure of this in the Council's accounts.

What are our conclusions?

As highlighted in our executive summary, we have instructed our specialist to review a sample of asset valuations. Our specialists have started these procedures but are yet to conclude on their work. Otherwise, subject to the outcome of these audit procedures and our internal quality file review procedures, we have no other matters to report.



Areas of Audit Focus

Other risk

Net pension liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire County Council.

The Council's pension fund net liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- ▶ Liaised with the auditors of Northamptonshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Northamptonshire County Council.
- ▶ 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 Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19;

What are our conclusions?

We identified that the pension asset value at 31 March 2020 used by the actuary in their report was overstated by £185k.

As the difference is not material, we concluded that the net pension liability was fairly stated.

Subject to completion of our final internal quality review, in all other respects we have no findings to report.



Areas of Audit Focus

Other risk

Going Concern Disclosure

What is the risk?

Covid-19 has created a number of financial pressures throughout Local Government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

Page 21

What did we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we sought a documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these included consideration of:

- ▶ Current and developing environment;
- ▶ Liquidity (operational and funding);
- ▶ Mitigating factors;
- ▶ Management information and forecasting; and
- ▶ Sensitivities and stress testing.

Due to the impact of Covid-19, we also consulted internally with our risk department over the level of disclosure.

What are our conclusions?

We have reviewed managements Going Concern assessment, which is for the period until 31/03/23, and confirm their conclusion that the Council remains a Going Concern is based on reasonable and supportable assumptions.

We have also reviewed managements updated Going Concern Disclosure and confirmed it sufficiently detailed, transparent and accurately reflects managements underlying Going Concern assessment.

Due to the merger with North Northamptonshire Council we will include an emphasis of matter in our audit report to highlight the disclosure. We have consulted with our Professional Practice Department on our going concern procedures and the emphasis of matter.



Areas of Audit Focus

Other risk

IAS 37 Assessment

What is the risk?

In 2018/19 the Council recognised a contingent liability in respect of irrecoverable legal costs as a result of a claim against the Council arising from legal action taken by the Council in relation to an environmental health matter.

Management will need to update their assessment against the requirements of IAS 37 to assessment whether the claim still meets the requirements of a contingent liability.

What did we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Review managements assessment against the requirements of IAS 37;
- ▶ Assess whether the work requirements requires the involvement of our financial reporting specialists (FRG); and
- ▶ Assess the adequacy of management disclosure .

What are our conclusions?

We are yet to conclude on audit work in relation to the Monks Case. We are awaiting managements accounting assessment which will set out their proposed treatment of the case in the 2019-20 financial statement.

Our expectation is that management will include this an adjusting post balance sheet event with the final legal settlement accrued in the 2019/20 financial statement. We will also consider the arrangements in place at the Council to review the financial, legal and reputational risks and exposure from this case during the 2019/20 financial year and determine whether there were any significant weaknesses in arrangements that will lead to a modification to our Value for Money reporting. We will consult with our professional practice team on any modification to our Value for Money reporting in respect of this matter, and update Committee members on the outcome of our work.



03 Audit Report



Audit Report

Example audit report subject to EY professional practice consultations on any modifications, particularly to the Value for Money conclusion as highlighted.

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST NORTHAMPTONSHIRE COUNCIL

Opinion

We have audited the financial statements of East Northamptonshire Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet,
- Cash Flow Statement
- related notes 1 to 34.
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of East Northamptonshire Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Local Government Reorganisation. (Districts and Boroughs)
We draw attention to Note 1 & Note 5 which disclose the local government reorganisation in Northamptonshire. As stated in these disclosures, a new council called North Northamptonshire Council replaced the Council in April 2021. The Council's assets, liabilities, services, and functions transferred to the new North Northamptonshire Council on 1 April 2021. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or



Audit Report

Draft audit report

Our opinion on the financial statements

▶ the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2019-20, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources (SUBJECT TO CHANGE)

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, East Northamptonshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council (Subject to change)

- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Director of Finance

As explained more fully in the Statement of the Director of Finance Responsibilities set out on page 4, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether East Northamptonshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Northamptonshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, East Northamptonshire Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Audit Report

Draft audit report

Our opinion on the financial statements

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of East Northamptonshire Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of East Northamptonshire Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law,

we do not accept or assume responsibility to anyone other than East Northamptonshire Council and East Northamptonshire Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Xxx (Date to be confirmed)



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

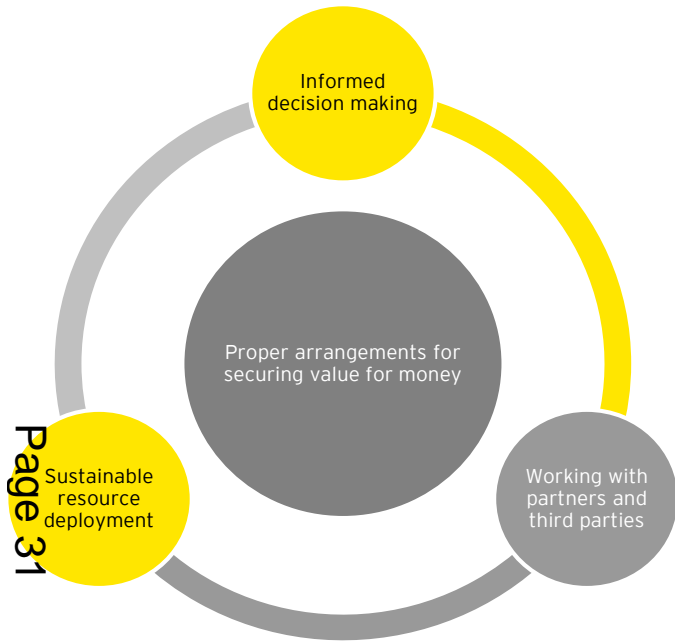
Summary of differences

We report to you any uncorrected misstatements greater than our nominal value of £47,000. We identified that the pension assets were understated by £185k.

Please note that other adjustments made be required to the accounts following the completion of our procedures highlighted in the executive summary.



05 Value for Money Risks



Overall conclusion

As set out on page 2 of our report, during the audit we identified that the bank reconciliation was not performed in 2019/20. We are also reviewing the Council's arrangements to consider the risks and exposure from the Monks case in the period up to 31st March 2020. We will update the Committee on the outcome of this work prior to issuing our audit report.

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment therefore considered both the potential financial impact of any issues identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We present below the findings of our work in response to additional risks identified since our audit planning report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>During the audit we identified that the bank reconciliation was not performed in 2019/20.</p> <p>The bank reconciliation is a key financial control in the production of the financial statements and other financial information which the Council relied upon to make informed decision.</p>	<p>Taking informed decisions and Work with partners and other third parties</p>	<p>During the course of the audit we identified that management had not undertaken a bank reconciliation throughout 2019/20 financial year.</p> <p>Following the completion of the bank reconciliation management have identified various payments which will need further investigation and outcome will be communicated to this committee.</p> <p>Our work in this area therefore remains ongoing. The nature, timing and extent of our audit procedures, findings and conclusions is subject to consultations with our professional practice team. We will update Committee members on the conclusion of this work and any modifications to our reporting on the Council’s value for money arrangements for the 2019-2020 financial year.</p>

Page 32



06 Other reporting issues

Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements

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

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We are yet to conclude on our review of the Annual Governance Statement as set out on page 7.

Page 34

Whole of Government Accounts

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

We have no matters to report as the Council in relation to this work.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

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

Other matters

We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client. Unless the audit team has used the 'Management Letter template' to communicate significant deficiencies, it is mandatory to use this section if there are any.

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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

During the course of the audit we identified that management had not undertaken a bank reconciliation throughout 2019/20 financial year. Following the completion of the bank reconciliation in 2021 management have identified various payments which will need further investigation and outcome will be communicated to this committee.



Page 37

08

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated March 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee

We confirm we have undertaken non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd. We have adopted the necessary safeguards in our completion of this work

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

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Our fees do not yet include the scale fee review which is currently underway with management and PSAA to agree whether the scale fees need to be rebased to properly account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions remain ongoing.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2020.

Description	Estimated Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Total Fee - Code work (1)	To be confirmed	34,673	To be confirmed
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (see next page)	49,691	49,691	-
Changes in scope	To be confirmed	-	To be confirmed
Total audit fees	To be confirmed	84,364	To be confirmed

(1) we will share a breakdown of our final fees for 18/19 and 19/20 with management for comment before we submit to PSAA to determine. We will update the Audit and Governance Committee with the outcome. The final fee will cover the impact of the changes in scope to the audit driven by the audit risk assessments and matters set out in this report, including any delays experienced as a result of the adequacy of working papers and explanations provided for audit.

All fees exclusive of VAT

Other communications

EY Transparency Report 2021

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

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

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2021-transparency-report.pdf







09

Appendices

Appendix A

Required communications with the Audit and Governance Committee





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

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.		Audit planning report to November 2021 Audit and Governance Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Audit planning report to November 2021 Audit and Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 		Audit results report to January 2022 Audit and Governance Committee

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about North Northamptonshire Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report to January 2022 Audit and Governance Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	January 2022 Audit and Governance Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility. 	<p>Audit results report to January 2022 Audit and Governance Committee</p> <p>No matters to report.</p>

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report to January 2022 Audit and Governance Committee. No matters to report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report to November 2021 Audit and Governance Committee and Audit results report to January 2022 Audit and Governance Committee

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have obtained all required confirmations.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	We are yet to conclude on this area as our procedures on the bank reconciliation remain ongoing for the reasons set out in this report.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	We are yet to conclude on this area as our procedures on the bank reconciliation remain ongoing for the reasons set out in this report.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report to January 2022 Audit and Governance Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report to January 2022 Audit and Governance Committee. No matters to report.
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report to January 2022 Audit and Governance Committee
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report to March 2020 Audit and Governance Committee and Audit results report to January 2022 Audit and Governance Committee

Page 45

Appendix B

Example management representation letter - we expect this will need to be updated to reflect the outcome of the Monks case and the investigations into the bank reconciliation exercise for the 2019-2020 financial year.

Management Rep Letter

Ernst & Young LLP

This letter of representations is provided in connection with your audit of the financial statements of East Northamptonshire Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of East Northamptonshire Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash

flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. We have approved the financial statements.

2. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
3. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error.
4. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. . We have not corrected these differences identified by and brought to the attention from the auditor because the amendment to the accounts would involve a disproportionate amount of work for the utility to be gained by the users of those accounts.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance

Management representation letter

Management Rep Letter

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements[, including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit and Governance Committee held through the year to the most recent meeting on the following date: **xxxx**
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services

leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. **All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.**
2. **We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.**
3. **We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 35 to the financial statements all guarantees that we have given to third parties.**

E. Subsequent Events

1. **There have been no events subsequent to period end, including events related to the COVID-19 pandemic, which require adjustment of or disclosure in the financial statements or notes thereto.**

Management representation letter

Management Rep Letter

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Note 37 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, in generating the IAS19 pension disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on the NDR appeals provision, valuation of assets and IAS19 disclosure and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic

J. Retirement benefits

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

Signed on behalf of East Northamptonshire Council

I confirm that this letter has been discussed and agreed by the Audit and Governance Committee

Signed:

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

This page is intentionally left blank



21st January 2022

**Neil Harris
Associate Partner
Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU**

Dear Neil,

East Northants District Council - Audit for the year ended 31 March 2020

This letter of representations is provided in connection with your audit of the financial statements of East Northants District Council ("the Group and the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of East Northants District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records (See Note B.)

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.



3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of the unadjusted audit differences, summarised in the ISA 260 report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the amendment to the accounts would involve a disproportionate amount of work for the utility to be gained by the users of those accounts.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's business, its ability to continue in business, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others;



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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and audit committees held through the year to the most recent meeting on the following date: *30th October 2021*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions, or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent



that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent in *Note 35* and have disclosed confirm that we have not given any guarantees to third parties.

E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Note 37 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and building assets and investment property and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



I. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on property and pension valuation and made in accordance with provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

J. Retirement Benefits

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

Signed on behalf of East Northants District Council

I can confirm that this letter has been discussed and agreed by the Audit Committee.

Yours faithfully,

Executive Director of Finance (Section 151 Officer)

Chairman of the Audit & Governance Committee of NNC



**North
Northamptonshire
Council**

Finance
Municipal Offices
Bowling Green Road
Kettering
Northants
NN15 7QX
Tel: 0300 126 3000
www.northnorthants.gov.uk
