



Kettering Borough Council Provisional Audit Results Report

Year ended 31 March 2021

21 September 2021

21 September 2021



Audit and Governance Committee Members
Kettering Borough Council - North Northamptonshire Council
Municipal Offices, Bowling Green Road
Kettering, NN15 7QX

Dear Audit and Governance Committee Members

We are pleased to attach our provisional audit results report for the forthcoming meeting of the Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Kettering Borough Council for 2020/21.

We have substantially completed our audit of Kettering Borough Council for the year ended 31 March 2021. At the date of this report, the substantive areas to complete are Pension Valuation, we are waiting for a response from the auditors of Northamptonshire Pension Fund to the programme of work we requested on the Pension Fund assets and liabilities. We have engaged with EY Real Estate to assess the values of a sample of 5 assets - 3 investment properties and 2 land & building assets. EYRE have requested further information from the council's valuers, which has been recently provided. EYRE is now working on finalizing their report to us. We will also need to review the Authority's Going Concern disclosures once that information is provided. Our VFM work is in progress however we have not identified any significant weaknesses to date. Please refer status of audit in 'Executive Summary' for further details. The work remains pending final reviews from engagement manager and partner.

The audit is designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process

Subject to concluding the outstanding matters listed in our report, we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. Although we are proposing no qualifications or modifications to our audit report, we do anticipate including in our audit report an emphasis of matter which draws attention to the disclosures included in the Council's financial statements in response to the Council's merger with North Northamptonshire from the 1st April 2021. On Covid-19, we will consider whether to include an emphasis of matter associated with a material uncertainty expressed by the Council's professional valuer on the valuation of the Council's certain fixed assets in response to the volatile and uncertain market conditions.

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

We would like to thank your staff for their help during the engagement and welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 27 September 2021.

Yours faithfully

Neil Harris

Associate Partner, For and on behalf of Ernst & Young LLP. Encl

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

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

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



01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled in August 2021 to Audit and Governance Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with no exceptions noted.

Changes in materiality:

In our Audit Planning Report, we communicated that our audit procedures would be performed using a planning materiality of £1.34 million, with performance materiality of £1.01 million, which is 75% of planning materiality, and a threshold for reporting misstatements of £67K. We calculated our planning materiality assessment using the draft accounts. We have not reassessed our materiality since then as there has been no significant changes in circumstances leading us to update our materiality.

Information Produced by the Entity (IPE): As a result of Covid-19, we identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited;
- Agree IPE to scanned documents or other system screenshots; and
- gained our own access to the accounting software to enable us re-run reports ourselves.

Audit differences

Uncorrected Differences

1. Understatement of NNDR appeals provision by £711K - judgemental differences due to appeals % applied by management and EY's expected %

Corrected Differences

The following audit differences are expected to be corrected in the updated draft financial statements (as agreed with the management);

1. PWLB Loan understated in the disclosure note to the draft financial statements by £500k
2. Certain disclosure misstatements found in the draft financial statements, e.g. casting & formatting errors, consistency & reference errors, typing errors etc

As per the below status of audit update on subsequent slides, the pending audit work and final reviews may result in further adjustments.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Kettering Borough 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 "Areas of audit focus" 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 Committee.

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Value for money - progress update

In the Audit Plan, we reported that we were yet to commence with our value for money (VFM) risk assessment. We have now substantially completed this work and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

As a result, we currently have no matters to report by exception in the auditor's report (see Section 03) or in the Auditor's Annual Report which will be issued to North Northamptonshire Council three months after the date of the final 2020-2021 audit opinion for the demised Councils.

Independence

Please refer to Section 09 for our update on Independence.



Executive Summary

Status of audit update

We have substantially completed our audit of Kettering Borough Council's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the outstanding items, we expect to issue an unqualified opinion on the Council's financial statements. However until work is complete, further amendments may arise. A list of outstanding items can be seen at appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Accounts which could influence our final audit opinion

Control observations

During the audit, and to date, 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.

Whole of Government Accounts

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

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Winter 2021. Therefore the 2020-21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020-21 will necessarily follow any changes HMT make to the DCT and process.

We will report any matters arising to the Audit and Governance Committee, and certify the completion of the audit after these procedures are completed.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.

We have no other matters to report.



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

What judgements are we focused on?

We focused our testing on accounting estimates which include pension liability, property valuation, and bad debts provision. Also performing mandatory procedures including testing of journal entries.

What did we do?

This is a risk that we recognise on all engagements. Our overall response to this for Kettering Borough Council was:

- ▶ Assessment to identify fraud risks during the planning stages.
- ▶ Inquired management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimates for evidence of management bias and evaluating the business rationale for significant and unusual transactions.
- ▶ We have utilised our data analytics capabilities to assist with our work.

What are our conclusions?

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

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

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business however we do have journal entry testing in progress but not expected to identify unusual items



Significant Risk



Areas of Audit Focus

Significant risk

Inappropriate capitalisation of revenue expenditure [Fraud Risk]

What is the risk?

Linking to our risk of misstatements due to fraud and error, we have considered the capitalisation of revenue expenditure on property, plant and equipment, investment properties as a specific area of risk. The Council has a significant fixed asset base and a material commercial property investments and therefore has the potential to materially impact the revenue position through inappropriate capitalisation. Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

What judgements are we focused on?

Whether management have appropriately classified expenditure as capital in nature

What did we do?

We have undertaken a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect capitalisation of revenue expenditure:

- ▶ Tested a sample of capital expenditure at a lower testing threshold to verify that revenue costs have not been inappropriately capitalised;
- ▶ Our testing examined invoices, capital expenditure authorisations, leases and other data that support capital additions. We have reviewed the sample selected against the definition of capital expenditure in IAS16.
- ▶ As part of our journal testing strategy, we have reviewed unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

What are our conclusions?

We have not identified any revenue items that have been inappropriately capitalised from our substantive testing to date.





Areas of Audit Focus

Significant risk

Valuation of Property, Plant & Equipment and Investment Property [Significant Risk]

What is the risk?

Property, plant and equipment (PPE) and Investment Property assets represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end asset property valuations held on the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates. According to draft accounts, as at 31 March 2021, the value of the Council's PPE is £261.7m and Investment Properties £49.4m. Due to significant economic uncertainty caused by the Covid-19 pandemic there is an increased risk that asset valuations (based on market conditions) may be materially misstated.

What did we do?

In terms of the overall response, we have:

- evaluated the selection and application of accounting policies established to determine whether the accounting policies are being applied in an inappropriate manner;
- adjusted the nature, timing and extent of our audit procedures by, for example, increasing our sample sizes

We have undertaken a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of property:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Engaged our valuations specialist (EY Real Estates) to review a sample of asset valuations to verify the reasonableness of the valuation methodology applied and key assumptions used, including the potential impact of Covid-19 on valuation uncertainties. Our sample included total 5 assets - 3 investment properties and 2 land & buildings;
- ▶ Sample tested for key asset information used by the valuers in performing their valuation;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- ▶ Considered any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2020/21 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; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

We have substantially completed our audit procedures but have not yet concluded. One of the main pending area is the EY Real Estate report for our selected sample of 5 properties. After their initial review, EYRE have requested further information from the council's valuers, which has been recently provided. EYRE is now working on finalizing their report to us. Once the work is completed, it will be subject to manager and partner's review for us to conclude on this area. This may result in further observations/adjustments.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Pension liability valuation and disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. As per the draft accounts for 31 March 2021, this amounts to £60.96m.

The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk.

What have we done and our conclusions?

We have:

- ▶ Liaised with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Kettering Borough Council;
- ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19;
- ▶ Assessed the results of the triennial valuations, including the assumptions used and the impact on the Council's pension liability;
- ▶ Considered any updated information in respect of the impact of national issues including Goodwin and McCloud; and
- ▶ Considered the nature and value of level 3 investments held by Northamptonshire Pension Fund and the proportion of the overall Fund relating to Kettering Borough Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021.

As of the date of this report, the assurance from the Pension Fund auditor is outstanding as the NPF audit is still on-going. This is one of the outstanding matter set out in Appendix D of this report. We expect to have received the pension fund assurances, reviewed and concluded this work by the end of September 2021.

In 2020/21, We will consider the impact of Covid-19 on the valuation of complex (Level 3) investments held by NPF (for example private equity investments) and the fact that the valuations are highly subjective in nature as at 31 March 2021 and will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.

We will also need to consider the outcome of the assurances we receive from the Pension Fund auditor and undertake additional procedures as required.

(continued on next slide)



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Pension liability valuation and disclosures (continued)

What have we done and our conclusions?

One issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 27 September 2021 meeting.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Going Concern disclosures

Covid-19 has created a number of financial pressures throughout Local Government. This includes reductions in income for the Council as well as additional cost pressures. There is some financial support from MHCLG that covers financial consequences of Covid-19.

North Northamptonshire Council was formed under statutory instrument The Northamptonshire (Structural Changes) Order 2020, which was made on 14 February 2020 and came into effect from 01 April 2021.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

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.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period and their ability to continue with providing services with regards to the transition to Unitary

What have we done and our conclusions?

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 will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

With regards to the councils transition to unitary, our procedures will focus on sufficiency and appropriateness of management's assessment that they have sufficient resources to continue to deliver services at the planned levels; and disclosures of any material uncertainties in the continuity of service provision. Our audit procedures will:

- ▶ Assess the adequacy of disclosures required in 2020/21, and the impact on our opinion, should these be inadequate;
- ▶ Obtain management's going concern assessment and review for any evidence of bias and consistency with the accounts;
- ▶ Review the financial modelling and forecasts prepared by the Council. This will consider key assumptions, stress testing applied to those assumptions and consider the risk to cashflow up to at least 12 months after the signing date of the accounts and opinion;
- ▶ Ensure that an appropriate going concern disclosure has been made within the financial statements; and
- ▶ Consider the impact on our audit report and comply with EY consultation requirements, if this is determined to be appropriate.

Our work on going concern is yet to be concluded, this is one of the outstanding matter set out in Appendix D of this report.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Recognition of grant income associated with Covid-19

Central Government has provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies.

The Council needs to review each of these grants to establish how they should be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.

What have we done and our conclusions?

We have:

- ▶ Considered the revenue and capital grants received by the Council;
- ▶ Assessed the potential for manipulation of individual grant streams (including those related to business rates); and
- ▶ Responsive to the risk, carried out testing to ensure the accounting treatment and recognition applied to grant income is appropriate.
- ▶ On a sample of the grant and funding population we have:
 - Reviewed the Council's decision for new grant or funding arrangements whether it is acting as principal or agent;
 - Reviewed whether any initial conditions are attached to grants impacting their recognition;
 - Assessed whether the accounting appropriately follows those judgements.

We have also checked the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

Conclusion: Our work is substantially complete but not yet concluded. We have not identified any misstatements to report on to date



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Calculation of NNDR appeals provision

The Business Rates Retention Scheme requires Local Authorities to make provisions for appeals made by businesses to the Valuation Office on their rateable value. The Council has analysed previous appeals and calculated a provision for NNDR appeals based on settlement history.

During 2019/20 audit, we noted a judgemental differences due to appeals % applied by management and EY's expected % consistent with the prior years. We expect appeals to be computed based on the national average rate which is 4.7%. However, managements computation is based on 2017 average rate for KBC which is 2.7%, resulting in an unadjusted audit difference of £534K. Our initial assessment procedures has identified that the potential difference for 2020/21 might have increased and become material to the financial statements.

What have we done and our conclusions?

We have:

- ▶ reviewed the calculation of NNDR provision and assessed the reasonableness of the approach adopted by the management.
- ▶ Challenged the management's assumptions supporting the calculation, particularly in relation to the % used.
- ▶ reviewed and assessed the accuracy and completeness of any disclosures related to NNDR provision in the accounts.

For 2020/21 audit, we have noted a judgemental differences due to appeals % applied by management and EY's expected % consistent with the prior years. We expect appeals to be computed based on the national average rate which is 4.7%. However, management continued to compute the provision based on 2017 average rate for KBC which is 2.7%, resulting in an unadjusted audit difference of £711K.

Whilst the abovementioned audit difference exceeds our audit difference reporting threshold, it is still below our performance materiality. However, we are currently assessing the impact of this difference in conjunction with other audit differences to finally conclude whether the cumulative amount of audit differences exceeds our materiality.



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 Audit differences as at the date of this report

Further to the receipt of 1st draft accounts for 2020/21, we understand from management that they have identified two adjustments as listed below (we have received the updated draft accounts but have not yet reviewed these adjustments);

1. An investment property (Hunters Point) was undervalued by £647K; and
2. Pension liability & pension reserves to be restated as per the revised IAS 19 report. we have received the updated IAS19 but have not yet reviewed these adjustments.

At the date of this report, we have found below uncorrected and corrected audit differences.

Uncorrected Differences

1. Understatement of NNDR appeals provision by £711K

We have noted a judgemental differences due to appeals % applied by management and EY’s expected % consistent with the prior years. We expect appeals to be computed based on the national average rate which is 4.7%. However, in 2021, management continued to compute the provision based on 2017 average rate for KBC which is 2.7%, resulting in an unadjusted audit difference of £711K. The management has not yet agreed to adjust this audit difference in financial statements.

Corrected Differences

1. PWLB Loan understated in the disclosure note to the draft financial statements by £500k

PWLB loan confirmation resulted in an understatement of long term loan by £500K. Management has agreed to adjust this difference in the financial statements.

2. Certain minor disclosure misstatements found in the draft financial statements, e.g. casting & formatting errors, consistency & reference errors, typing errors etc

As per the status of audit and outstanding items as detailed in Appendix D, our audit work is still pending to be concluded in certain areas (including our significant risk areas). These outstanding areas, coupled with final reviews from manager and engagement partner, may result in further adjustments.



05

Value for Money



Value for Money

The Council's responsibilities for value for money

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

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council 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 its arrangements for securing value for money from their use of resources.

Risk assessment

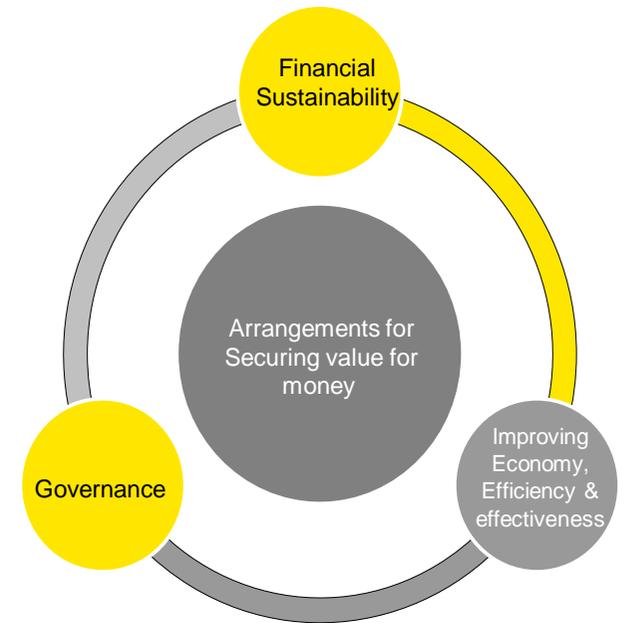
Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

No significant risks were identified through our risk assessment.

The Council's responsibilities for value for money

We have substantially completed this work and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We currently have no matters to report by exception in the auditor's annual report. Our work remains pending final reviews as of the date of this report.





06 Other reporting issues

Other reporting issues

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

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

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

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

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

Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority 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 Authority, 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

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority 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 Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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

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

We 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 of which you are not aware.



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

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

In 2020/21, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the general ledger. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We have substantially completed our work on journal entries and have found no exceptions to report.



09

Independence

Confirmation of independence and analysis of audit fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. 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. We confirm we have not provided any non-audit services not covered in below table (housing benefits). The Council have decided not to appoint EY to complete the Housing Benefit Subsidy Claim certification in 2019/20 and 20/21 as we were unable to guarantee that we could sufficiently resource and complete our work by the DWP reporting timetables.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee - Code work (Note 1)	41,337	41,337	41,337
VFM conclusion	TBC	-	2,151
Property valuations significant risk	TBC	-	3,044
Property valuations material uncertainty	TBC	-	1,025
Going concern disclosure	TBC	-	2,808
EY consultations on auditor report	TBC	-	1,949
Total Audit Fee	TBC	41,337	52,314

All fees exclude VAT

Notes:

- We are currently in discussion with PSAA nationally about an increase to the scale fees for Local Authority audits which would be recurring for 2020-2021. For Kettering Borough Council, in our 2019-2020 external audit plan and reporting, we outlined our view that the scale fee should be increased from £41,337 to £77,456 to reflect the regulatory and professional standards context that is driving our work to safeguard high-quality audits. This is yet to be determined by PSAA and has not been agreed by management.
- At the conclusion of our 2019-2020 audit, we reported in our Annual Audit Letter the scale fee variations for our response to significant audit risks and additional audit procedures arising from Covid-19. Whilst we have reported to management our scale fee variation, officers have not agreed to this and is subject to PSAA approval.

2020/21 Fees:

We are not yet able to provide a final fee for the 2020/21 audit. This is for two reasons:

- The audit is not fully complete, as noted in the list of outstanding procedures set out in the appendices of this report.
- We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements.

The areas in which we have completed additional work and as such we will be proposing a fee variation to the base scale fee are:

- Revised ISAs in respect of Estimates and Going Concern as noted in the Audit Plan presented in July 2021
- Additional procedures in relation to COVID-19 and new value for money requirements
- Use of experts in relation to Pensions to satisfy revised ISA requirements.
- Use of EYRE to assist the audit team to assess the valuation assumptions of a sample of PPE assets and investment properties.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Audit & Governance Committee before we submit to PSAA for approval and determination of final fee.

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

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

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

10 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	Substantively tested all relevant Assertions	No change
Property, plant and equipment	Fully substantive approach. Engaged with EY Real Estate	Fully substantive approach. Engaged with EY Real Estate	No change
Trade payables	Fully substantive approach	Fully substantive approach	No change
Cash and Investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Grants	Fully substantive approach	Fully substantive approach	No change
Pensions	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	Substantively tested all relevant assertions	We engaged our pensions specialists due to the requirements of ISA540 (revised)

Appendix B

Summary of communications

Date	Nature	Summary
23 July 2021	Meeting	The manager and lead senior of the audit team, met with the finance team and s151 officer for a regular liaison meeting.
28 July 2021	Audit Committee	The partner in charge of the engagement attended the audit committee
27 August 2021	Report	The audit planning report, including confirmation of independence, was discussed with the s151 officer issued to the audit committee.
10 September 2021	Audit Committee	The partner in charge of the engagement discussed the audit planning report with the Committee members.
21 September 2021	Report	The provisional audit results report, including confirmation of independence, will be issued to the audit committee.
29 September 2021	Audit Committee	The partner in charge of the engagement will attend the audit committee
July-September	Meeting	The EY audit team met regularly to discuss the progress of the audit with North Northamptonshire Council's s151 officer and Finance team

Appendix C

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 - August 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Audit planning report - August 2021
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 		Audit results report - September 2021

Appendix C

		 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 	Audit results report - September 2021
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 - September 2021
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. 	Audit results report - September 2021
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. 	Audit results report - September 2021

Appendix C

		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 Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report - September 2021
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report - August 2021 and Audit results report - September 2021
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit planning report - August 2021 and Audit results report - September 2021
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report - September 2021

Appendix C

		 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 – September 2021
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 – September 2021
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 – September 2021
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 – August 2021 and Audit results report – September 2021
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	Certification Report
Value for money commentary	A commentary on the arrangements in place during 2020/21 to achieve value for money, and any recommendations we may make to improve those arrangements.	Annual auditors report – December 2021
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 have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Pension - IAS19	<ol style="list-style-type: none"> EY Pensions report in relation to completeness and accuracy of model used by actuary in determining Authority obligation. Revised IAS 19 report Pension Fund auditor final report outstanding 	EY and Management
PPE and Investment Property Valuations	EYRE to issue final report on their review of PPE and Investment Property Valuations and resolve queries with management (if any further queries arise)	EY and Management
Finalisation of Value For Money conclusion	To discuss with management any queries that may arise	EY and Management
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken	EY
Going Concern disclosures	Once we receive the updated Going Concern Disclosures and cash flow forecasts for North Northamptonshire Council, we will review the Going Concern disclosures, and complete any associated EY consultation procedures if this is determined to be appropriate.	EY and Management
Debtors, creditors, grants, reserves	Certain information is pending from management to complete our sample testing in these areas. Once information is provided by the management, EY will complete its documentation in the file. The work will then be reviewed by manager and engagement partner, which may raise further queries to the management.	EY and Management
Close down procedures	These include our finalisation procedures, receipt of final version of financial statements, obtaining signed representation from management, subsequent events review, final checks on financial statements and any other signing off procedures.	EY and Management
Unrecorded liabilities test	In the event of 4 councils demised into NNC, we have decided to perform unrecorded liabilities centrally for all demised councils, using the lowest materiality threshold among 4 councils. We are waiting for bank statements & invoice listing upto August 2021 to help us select our sample. Once supporting documents are provided by the management for our selected sample, we will perform our procedures and documentation in audit file.	EY and Management
Clearance of queries arising from review by Associate Partner and Manager	Ongoing review process	EY

DRAFT Management representation letter

Management Rep Letter

Date xxxxxxx

Ernst & Young
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Kettering Borough Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the financial position of Kettering Borough Council as 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of council financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

Management representation letter

Management Rep Letter

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

1. We acknowledge that we are responsible to determine that the Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or 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 or regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements
 - Related to laws or 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 control, 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 consolidated and council 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 its relevant Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: xxxxxxxxxxxxxxxx 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.

Management representation letter

Management Rep Letter

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.

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 recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note xxxxx to the financial statements, 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.

G. 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.

H. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance

I. Reserves

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

Management representation letter

Management Rep Letter

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the IAS19 actuarial valuations of pension fund 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 specialist.

K. Property valuation and Pension Liability Estimate

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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
3. 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.

Yours faithfully,

S151 Officer

Chairman of the Audit and Governance Committee of NNC

Appendix F

Accounting and regulatory update

Future accounting developments

Since the date of our last report to the Audit and Governance Committee, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on North Northamptonshire Council
IFRS 16	<ul style="list-style-type: none">▶ The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. The Council will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2020/21.	<ul style="list-style-type: none">▶ Consider systems impact and need to gather information for comparatives▶ Consider timetable to implementation

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ED None

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