



Report to the Audit & Standards Committee

UTTLESFORD DISTRICT COUNCIL

Audit Completion Report: year ended 31 March 2020

IDEAS | PEOPLE | TRUST



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WELCOME

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This is our Audit Completion Report to the Audit & Standards Committee of Uttlesford District Council (the ‘Council’). The original audit plan was presented on 13 January 2020 to the Governance, Audit and Performance Committee. While the fundamental objectives of the audit remain the same, the National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audits in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared an updated Audit Completion Report to communicate our disclaimer opinion and any areas where we were unable to obtain all the necessary audit evidence due to insufficient time to perform all required audit procedures by 13 December 2024 (‘backstop date’).

This report is an integral part of our communication strategy with you. It summarises the overall audit strategy for the year ended 31 March 2020 in respect of our audit of the financial statements and use of resources; comprising materiality and key audit risks. It also summarises the results of our audit of Uttlesford District Council for the year ended 31 March 2020, including areas requiring further discussion and/or the attention of the Audit & Standards Committee. We look forward to discussing these matters with you at the Audit & Standards Committee meeting on 10 December 2024 and to receiving your input.

We provided a brief update to the Governance, Audit and Performance Committee on the progress of the external audit on 22 July 2020 on the results of our audit of the financial statements, update on risk assessment and use of resources and subsequently significant matters were identified in the course of our work which are presented here. This report contains matters which should properly be considered by the Council as a whole. We expect that the Audit & Standards Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

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

Ciaran McLaughlin, Key Audit Partner
 For and on behalf of BDO LLP,
 5 December 2024

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Governance, Audit and Performance Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.



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OVERVIEW

Audit scope and objectives

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| Reporting | Objectives |
|---|---|
| Auditing standards | We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office. |
| Local Audit Reset and Recovery Implementation Guidance (LARRIGs) and Codes of Audit Practice | We will perform our audit in accordance with LARRIGs and the Code of Audit Practice 2015 and Code of Audit Practice 2024 published by the National Audit Office. |
| Financial statements | We will express an opinion on Uttlesford District Council's financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2019/20 and other directions. |
| Additional powers and duties | Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to Uttlesford District Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review. |
| Use of resources | <p>We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:</p> <p><i>"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".</i></p> |

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This summary provides an overview of the audit matters that we believe are important to the audit of the financial statements for Uttlesford District Council for the year ended 31 March 2020.

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

Responsible financial officer (RFO)

The Accounts and Audit Regulations 2015 require the Section 151 Officer, as RFO, to sign and date the statement of accounts and confirm that they are satisfied that it presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates; and
- that authority's income and expenditure for that financial year.

Our audit of the financial statements does not relieve the RFO nor those charged with governance of their responsibilities for preparing the statement of accounts.

Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters. We anticipate issuing our audit opinion on the Uttlesford District Council's financial statements for the year ended 31 March 2020.

Outstanding matters are listed on page 36.

No restrictions were placed on our work by management.

Circumstances that affect the form and content of the auditor's report

There has been a deterioration in the timeliness of local audits in recent years, leading to a persistent and significant backlog of audit opinions. Across England, the backlog of outstanding audit opinions stood at 771 at 31 December 2023 and is estimated to increase to around 1,000 later this year. In February 2024, the Department for Levelling Up, Housing and Communities published '*Local audit delays: Joint statement on the update to proposals to clear the backlog and embed timely audit*'.

This joint statement confirmed that:

"The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution".

The factors contributing to the delay in issuing an audit opinion on the financial statements of Uttlesford District Council for the year ended 31 March 2020 include, but are not limited to:

- increased regulator expectations on auditors
- difficulties in attracting, developing and retaining staff to perform local audit work
- the impact of the Covid-19 pandemic.

Over the last year, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

To clear the backlog of historical accounts and 'reset' the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 ('the backstop date'). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

The backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Consequently, this prevents us from meeting the overall objectives of an audit as set out in ISA (UK) 200 '*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*'. Therefore, the backstop date has created circumstances which require us to consider modifying our opinion on Uttlesford District Council's financial statements.

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Significant difficulties encountered during the audit

ISAs (UK) require us to report to you any significant difficulties we have encountered during the audit. As previously outlined, the backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Therefore, the backstop date represents a significant difficulty that we have encountered during the audit.

Audit report

The Accounts and Audit (Amendment) Regulations 2024 require the Uttlesford District Council to publish audited financial statements for the year ended 31 March 2020 by 13 December 2024. We have not able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by this date. As a result, we are unable to conclude that the Uttlesford District Council's financial statements for the year ended 31 March 2020 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Therefore, we anticipate issuing a disclaimer of opinion on the financial statements as set out in the draft opinion on the appendices.

Use of resources

We have identified significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in April 2020, we are satisfied that, except for the following significant weakness, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

- Arrangements where members are required to adequately disclose conflicts of interest were not operating effectively resulting in breaches of the Council's Code of Conduct for Members.
- Adequacy of financial reporting arrangements as the draft accounts for

2019/20 included a material error as a MMF was reported as investments when it should have been cash equivalents.

Independence

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

THE NUMBERS

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Final materiality

Group final materiality was determined based on gross expenditure. This has been updated from our Audit Plan to reflect outturn in the financial statements.

Material misstatements

We could not obtain all the necessary audit evidence to complete our audit due to time constraint imposed by the backstop date. However, the audit work completed to date identified audit differences that have been adjusted by management. We also identified audit differences that have not been adjusted by management. We have reported adjusted and unadjusted audit differences identified to date in this report.

Our audit work to date identified the following material misstatements

Unadjusted:

- The material misstatement of £2 million (2019: £1 million) relates to cash and cash equivalents being incorrectly classified as short-term investments in the 2020 figures. There is a corresponding misstatement of £1 million in the 2019 comparative figures.

Adjusted

- One material adjustment of £35.8 million in respect of depreciation that had not been written out upon revaluation in the note to the accounts (this does not affect the face of the balance sheet).

In our detailed testing we identified two sampled assets under construction as being placed into service, resulting in a material reclassification adjustment of £1.7 million.

Prior Period Adjustment

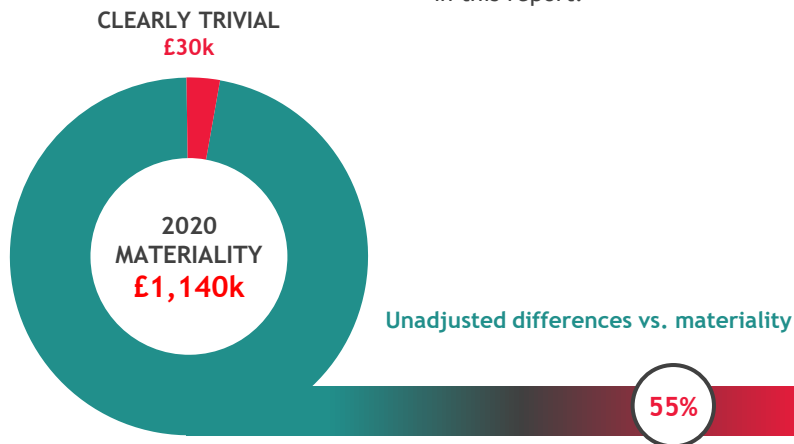
We engaged with the Council at an early stage to review prior period accounts to identify whether there were any issues that might require reconsideration of accounting and reporting treatment.

Unadjusted audit differences

There are seven unadjusted audit differences identified by our audit work which would decrease the deficit on the provision of services for the year of £9.6 million by £469k and would increase net assets of £254 million by £469k.

Audit scope

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



OTHER MATTERS

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Financial reporting

Our conclusion on this matter is based on the audit procedures performed up to the backstop date. While we have no reason to believe that further procedures would have altered our conclusion, the time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

- Work completed to date has not identified any non-compliance with Group accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year to date.
- We have been unable to form an opinion on whether the other information published together with the financial statements (of which the Narrative Report is part) is consistent with the financial statements.
- We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 because the backstop date has created time constraints that have impeded us from completing all necessary procedures in response to this reporting requirement. We have nothing to report in respect of the other matters.

Other matters that require discussion or confirmation

- Control deficiency identified in relation to logical access controls over the Northgate and Integra 2 IT application.
- Letter of Representation.

Independence

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



OUR METHODOLOGY

Summary

We obtain our audit evidence through a combination of substantive testing, systems and compliance testing.

We planned our audit using different testing methodology depending on the area being audited. Our testing can either be substantive where we directly verify items in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet or assurance is obtained based on systems and compliance testing.

We set out here how we have obtained our audit assurance for the year ended 31 March 2020 for categories of the Balance Sheet. We also include a comparative to the approach undertaken in the prior year.

The backstop date has created time constraints that have impeded you from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). In summary, the audit has been limited to the development of an overall audit strategy. We have not been able to perform all planning and risk assessment procedures. As a result, we have not been able to perform execution procedures and therefore this consequent had an impact on our ability to identify potential misstatements.

Audit methodology used

| SoFP category | 2019/20 | 2018/19 |
|-----------------------|-------------|-------------|
| Long term assets | Substantive | Substantive |
| Current assets | Substantive | Substantive |
| Current liabilities | Combination | Combination |
| Long term liabilities | Substantive | Substantive |
| Reserves | Substantive | Substantive |



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AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 13 January 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. We have subsequently included a further risk relating to Expenditure Cut-Off, which we reported to the Governance, Audit and Performance Committee in July 2020. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

| Audit Risk | Risk Rating | Significant Management Judgement Involved | Use of Experts Required | Error Identified | Control Findings to be reported | Discussion points / Letter of Representation |
|---|-------------|---|-------------------------|------------------|---------------------------------|--|
| Management override of controls | Significant | No | No | No | No | No |
| Revenue recognition - Fees and Charges Income | Significant | No | No | No | No | No |
| Valuation of Pension Liability | Significant | Yes | Yes | No | Yes | No |
| Valuation of Non-current assets | Significant | Yes | Yes | No | No | No |
| LG Expenditure Cut-off | Significant | No | No | No | No | No |



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MANAGEMENT OVERRIDE OF CONTROLS

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

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

Risk description

ISA (UK) 240 - The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures which we were unable to conclude:

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

Results

No issues have been identified in our testing, however our procedures remain incomplete.

Discussion and conclusion

Our conclusion on this matter is based on the audit procedures performed up to the backstop date. While we have no reason to believe that further procedures would have altered our conclusion, the time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

REVENUE RECOGNITION - FEES AND CHARGES

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Auditing standards presume that income recognition presents a fraud risk.

Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition to be in respect of the accuracy and existence of fees and charges income.

Work performed

We carried out the following planned audit procedures which we were unable to conclude:

- Tested a sample of fees and charges to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.

Results

No issues have been identified in our testing, however our procedures remain incomplete.

Discussion and conclusion

Our conclusion on this matter is based on the audit procedures performed up to the backstop date. While we have no reason to believe that further procedures would have altered our conclusion, the time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

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

VALUATION OF PENSION LIABILITY

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

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

Risk description

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

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

Work performed

We carried out the following planned audit procedures which we were unable to conclude:

- Reviewed data inputs provided to the actuary to determine whether appropriate adjustments have been made to reflect McCloud adjustments not made in 2018/19;
- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the competence of the management expert (actuary);
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;

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

Results

No issues have been identified in our testing, however our procedures remain incomplete.

Discussion and conclusion

Our conclusion on this matter is based on the audit procedures performed up to the backstop date. While we have no reason to believe that further procedures would have altered our conclusion, the time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

VALUATION OF NON-CURRENT ASSETS

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The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.

Risk description

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties, including through Aspire) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

Work performed

We carried out the following planned audit procedures, which we were unable to conclude:

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

Results

No issues have been identified in our testing, however our procedures remain incomplete.

Discussion and conclusion

Our conclusion on this matter is based on the audit procedures performed up to the backstop date. While we have no reason to believe that further procedures would have altered our conclusion, the time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

LG EXPENDITURE CUT-OFF

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The cut-off of expenditure is a significant risk as it represents a risk of fraud.

Risk description

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

Work performed

We carried out the following planned audit procedures which we were unable to conclude:

- We tested a sample of expenditure items at year end to ensure they were recorded in the correct period.

Results

No issues have been identified in our testing, however our procedures remain incomplete.

Discussion and conclusion

Our conclusion on this matter is based on the audit procedures performed up to the backstop date. While we have no reason to believe that further procedures would have altered our conclusion, the time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

| | |
|---|--|
| Significant risk | |
| Normal risk | |
| Significant management judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
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GOING CONCERN

We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern

Management's assessment of going concern

Management has asserted that the statement of accounts are prepared on a 'going concern' basis.

Discussion and conclusion

The backstop date has created time constraints that have prevented us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support our opinion and meet the objectives of all relevant ISAs (UK).



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Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 13 January 2020.

Internal audit

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

Related parties

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

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

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

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

Group matters

We have undertaken sufficient work on the transactions and balances in the Aspire subsidiary to be satisfied with these for the purposes of the group audit.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

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

There are seven unadjusted audit differences identified by our audit work which would decrease the deficit on the provision of services for the year of £9.6 million by £469k and would increase net assets of £254 million by £469k.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

| | Income and expenditure | | | Balance Sheet | | Equity | |
|---|------------------------|-------------|---------------|---------------|---------------|-------------|---------------|
| | NET DR/(CR) £'000 | DR £'000 | (CR) £'000 | DR £'000 | (CR) £'000 | DR £'000 | (CR) £'000 |
| Unadjusted audit differences | | | | | | | |
| Retained deficit on the provision of services for the year before adjustments | 9,612 | | | | | | |
| Adjustment 1: Extrapolated over accrual for trade waste creditor | | | | | | | |
| DR Accruals | | | | 55 | | | |
| CR Accrued expenses CIES | (55) | | (55) | | | | |
| Adjustment 2: Benefits rebate and allowance adjustment | | | | | | | |
| DR Trade creditors | | | | 414 | | | |
| CR Expenses | (414) | | (414) | | | | |
| Adjustment 3: HRA revaluation reserve increase should have netted of CAA | | | | | | | |
| Dr Revaluation reserve | | | | | | 151 | |
| Cr Capital adjustment account | | | | | | | (151) |
| Adjustment 4: HRA revaluation increase should have netted off revaluation reserve | | | | | | | |
| Dr Revaluation reserve | | | | | | 9 | |
| Cr Capital adjustment account | | | | | | | (9) |
| Adjustment 5: Revaluation reserve disposal posted as debit in error | | | | | | | |
| Dr Revaluation reserve | | | | | | 69 | |
| Cr Capital adjustment account | | | | | | | (69) |

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

| | Income and expenditure | | | Balance Sheet | | Equity | |
|---|------------------------|-------------|---------------|---------------|---------------|-------------|---------------|
| | NET DR/(CR) £'000 | DR £'000 | (CR) £'000 | DR £'000 | (CR) £'000 | DR £'000 | (CR) £'000 |
| Unadjusted audit differences | | | | | | | |
| Retained deficit on the provision of services for the year before adjustments | 9,143 | | | | | | |
| Adjustment 6: Error in 2018-19 revaluation reserve disposal | | | | | | | |
| DR Capital adjustment account | | | | | | 32 | |
| CR Revaluation reserve | | | | | | | (32) |
| Adjustment 7: Error in 2018–19 revaluation reserve depreciation | | | | | | | |
| DR Capital adjustment account | | | | | | 12 | |
| CR Revaluation reserve | | | | | | | (12) |
| Adjustment 8: MMF incorrectly classified as short-term investments | | | | | | | |
| DR Cash and cash equivalents | | | | 1,000 | | | |
| CR: Short-term Investments | | | | | (1,000) | | |
| Total value of adjustments | | - | (469) | 1,469 | (1,000) | 273 | (273) |
| Retained deficit on the provision of services for the year after adjustments | 9,143 | | | | | | |

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To date there are two audit differences identified by our audit work that were adjusted by management.

There is no impact on the deficit on the provision of services of £9.6 million and the draft net assets of £254m.

There was no impact on the general fund balance.

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

| | Income and expenditure | | | Balance Sheet | |
|--|------------------------|-------------|---------------|---------------|-----------------|
| | NET DR/(CR) £'000 | DR £'000 | (CR) £'000 | DR £'000 | (CR) £'000 |
| Adjusted audit differences | | | | | |
| Retained deficit/(surplus) on the provision of services for the year before adjustments | 9,612 | | | 254,420 | |
| Adjustment 1: Accumulated Depreciation on revalued HRA & GF assets eliminated as per the Code | | | | | |
| Cr PPE | | | | | (35,754) |
| Dr Accumulated depreciation | | | | 35,754 | |
| Adjustment 2: Reclassification of two AUCs completed prior to year end | | | | | |
| PPE | | | | 1,738 | |
| Capital Adjustment Account | | | | | (1,738) |
| Total Adjusted audit differences | | | | 37,513 | (37,513) |
| Adjusted retained deficit/(surplus) on the provision of services for the year | 9,612 | | | | |

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ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit and Standards Committee is required to consider.

The following adjusted disclosure matters were noted:

- The Group statements did not reflect a £104K adjustment made at Uttlesford District Council
- The long term debtors figure had been incorrectly disclosed as the prior year figure of £1,325k instead of £1,221
- The disclosed amount for audit fees payable did not agree to the audit planning report
- Dwelling numbers per the WHE valuation reports did not agree back to FAR. This impacted note 21.4 in the HRA section and the PPE note
- The amount disclosed for unusable reserves in the movement in reserves statement did not agree to other notes
- The narrative report incorrectly dated the reference to the Governance, Audit and Performance Committee Report.



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

| Matter | Comment |
|---|---|
| We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit. | We have been unable to form an opinion on whether the other information published together with the financial statements (of which the Narrative Report is part) is consistent with the financial statements. |
| We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council’s review of effectiveness and our knowledge of the Council. | We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 because the backstop date has created time constraints that have impeded us from completing all necessary procedures in response to this reporting requirement. |
| | We have nothing to report in respect of the other matters. |

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| Matter | Comment |
|--|--|
| Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure. | Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 30 September 2020. The Council did not meet this deadline, submitting on 10 December 2024. Update - the NAO have confirmed that no further WGA returns are required for 2019/20 engagements. |

USE OF RESOURCES

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| [Insert risk 1 per audit planning report] |
| [Insert risk 2 per audit planning report] |
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We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting 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.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources.

| Audit Risk | Criterion | Risk Rating | Issues identified that impact on conclusion |
|--|---------------------------------|-------------|---|
| Sustainable finances | Sustainable resource deployment | Significant | No (subject to Partner review) |
| Commercial investments | Sustainable resource deployment | Significant | No (but detailed work is subject to Partner review) |
| Additional matters identified during the audit | | | |
| Quality of financial reporting | Informed decision making | Significant | Yes |
| Arrangements where members are required to adequately disclose conflicts of interest were not operating effectively resulting in breaches of the Council's Code of Conduct for Members | Informed decision making | Significant | Yes |

Based on the work carried out in relation to the risks identified above, and summarised on the following pages, we propose issuing an 'except for' Value for Money conclusion for 2019/20.

SUSTAINABLE FINANCES (USE OF RESOURCES)

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The Council will need to deliver its savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

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

Risk description

Changes to funding, including that relating to the New Homes Bonus and business rates retention is placing notable financial pressures on the Council in the medium term. In anticipation of this, the Council is taking steps to consider a number of commercial development opportunities and potentially transformational change. Current financial stability allows the Council time to put such arrangements in place in a properly considered manner and not hastily.

Nevertheless, the financial pressure and the way in which the proposed initiatives are approached represent a significant risk in respect of the sustainable deployment of resources.

Work performed

We carried out the following planned audit procedures:

- We reviewed the assumptions used in the Medium-Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied.
- We reviewed the strategies to close the budget gap in the medium term.
- Held interviews with key officers.

Results

No issues were identified from audit procedures completed in respect of this risk.

Discussion and conclusion

At this stage our audit work did not identify any issues.

COMMERCIAL INVESTMENTS (USE OF RESOURCES)

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The Council is pursuing options for commercial investment. There is a risk that decisions made by the Council will not be properly informed and/or arrangements for working with third parties are inadequate.

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

Risk description

The Council has already made significant commercial investments through Aspire and is currently planning further significant investments as part of the medium to long terms financial strategy. Our work will focus on the Council’s arrangements for informed decision making and working with third parties, linking with the work on this area covered by our review of sustainable finances described above.

Work performed

We carried out the following planned audit procedures:

- We reviewed the investment policies and governance arrangements
- We also reviewed the specific proposals and supporting analyses, including financial and risk.
- Held interviews with key officers.

Results

No issues were identified from audit procedures completed in respect of this risk.

Discussion and conclusion

At this stage our audit work did not identify any issues.

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A draft copy of our report is included in the appendices.

Opinion on financial statements

We anticipate issuing a disclaimer of opinion on the Group and Council financial statements, for the reasons detailed in the ‘Executive summary’ section of this report.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in April 2020, we are satisfied that, except for the following significant weakness, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. *Include details of matters identified by our work on the local authority’s value for money arrangements.*

Other matters on which we are required to report by exception

We have no matters to report, other than we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, for the reasons detailed in the ‘Special reporting powers and duties’ section of this report.

INDEPENDENCE AND FEES

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Independence

We confirm that the firm, and the engagement team including other BDO network firms conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and the IESBA Code of Ethics and are independent of the Uttlesford District Council.

Details of services, other than audit, provided by us to the Group or the Council during the period and up to the date of this report are set out in the table below. We have not identified any threats to our independence arising from the provision of these services.

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

| | Fees (£) | | Independence safeguards | Impact on independence |
|--|------------------------------------|-------------------------------------|-------------------------|------------------------|
| | Actual Year ended March 2020 | Planned Year ended March 2020 | | |
| Code audit fee | *£40,745 | £40,745 | None required | N/A |
| Audit of Aspire subsidiary | - | £12,500 | None required | N/A |
| Total audit fees | £40,745 | £53,245 | | |
| Fees for non-audit services - audit related: | | | | |
| • Housing benefits subsidy claim | - | £17,250 | None required | N/A |
| • Pooling of housing capital receipts return | - | £1,525 | None required | N/A |
| Total non-audit services fees | - | £18,775 | | |
| Total fees | £40,745 | £72,020 | | |

Fee summary

* The Scale fee was subject to additional fees related to the increases in regulator expectations since the Scale fees were set.

PARTNER ROTATION

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These tables indicate the rotation periods normally permitted under Public Sector Audit Appointments' (PSAA) rules on rotation of key staff, as set out in the PSAA Terms of Appointment.

It is PSAA's policy that:

- engagement leads should act for an initial period of five years. PSAA may approve engagement leads for an additional period of up to no more than two years, if it is provided with assurance that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised together with details of any mitigations
- other than in exceptional circumstances, the audit manager at an audited body should be changed at least once every seven years. PSAA will approve the appointment of an audit manager for an additional period of up to three years, provided that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised
- it is not expected that an individual should act as an engagement quality control reviewer at an audited body for a period longer than seven years.

In order to safeguard audit quality, we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

| Senior team members | Number of years involved | Rotation to take place after |
|---|--------------------------|------------------------------|
| Ciaran McLaughlin Engagement Lead | 1 | 5 years |
| Roopal Bakarania Manager | 1 | 7 years |
| Siyanda Kota Audit Assistant Manager | 1 | 7 years |



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Our responsibilities and reporting

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

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

We report where we consider that the Council had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

What we don't report

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



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Representative letter 3

Audit quality

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

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Those Charged with Governance (TCWG)

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

Communication, meetings and feedback

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

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

| Communication | Date (to be) communicated | To whom |
|--------------------------------|---------------------------|--|
| Audit Planning Report | 13 January 2020 | Governance, Audit and Performance Committee now is Audit & Standards Committee |
| External Audit Progress Report | 22 July 2020 | Governance, Audit and Performance Committee now is Audit & Standards Committee |
| Annual Audit Letter | 10 September 2020 | Governance, Audit and Performance Committee now is Audit & Standards Committee |
| Audit completion report | 5 December 2024 | Audit & Standards Committee |
| Auditor’s Annual Report | 5 December 2024 | Audit & Standards Committee |

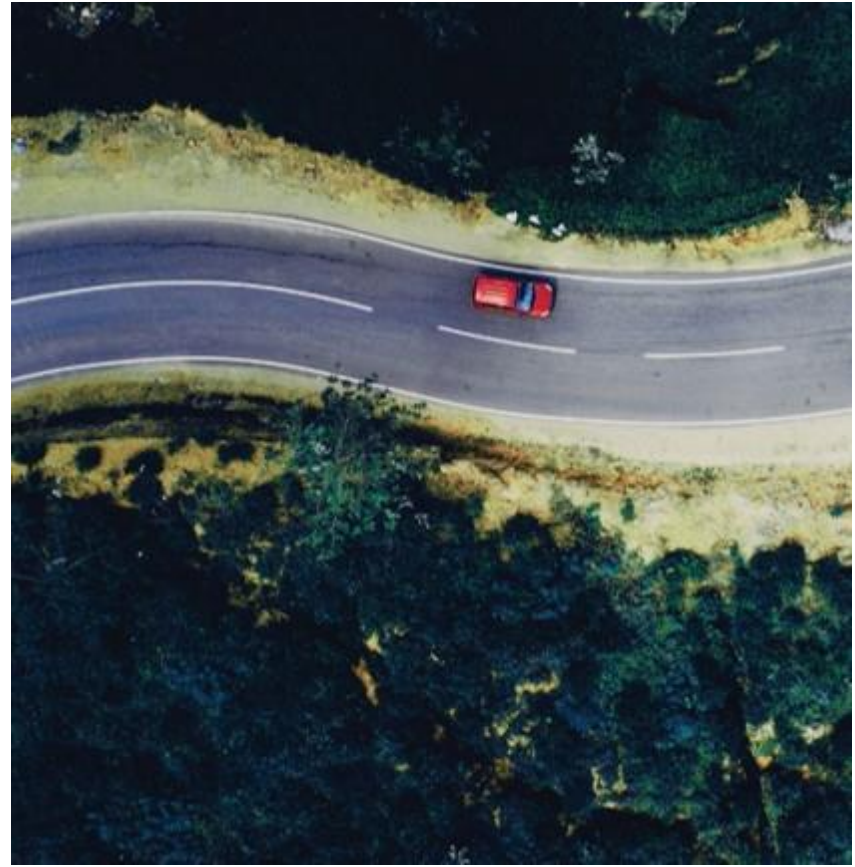
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We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2020.

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

- Agreement of accounts changes as a result of consistency checks.



Letter of representation

[Client name and Letter headed paper]

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs

Financial statements of Uttlesford District for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Group and the Council's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Director of Finance and Corporate Services has fulfilled his responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

Going concern

We have made an assessment of the Group and the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note P1 to the financial statements are sufficient.

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

Laws and regulations

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

Post balance sheet events

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

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Fraud and error

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

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

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

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

The backstop date has created time constraints that have impeded you from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). In summary, the audit has been limited to the development of an overall audit strategy. You have not been able to perform all planning and risk assessment procedures. As a result, you have not been able to perform execution procedures and therefore this consequent had an impact on your ability to identify potential misstatements.

Related party transactions

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

Other than as disclosed in note 15 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

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

Litigation and claims

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

Confirmation

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

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

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Audit quality

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

Yours faithfully

Adrian Webb

Strategic Directors of Finance, Commercialisation and Corporate Services
(s151 Officer)

[date]

Councillor Edward Oliver

Chair of the Audit & Standards Committee

[date]

FOR MORE INFORMATION:

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

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