



ADUR & WORTHING  
COUNCILS

Ward(s) Affected: All

**Statement of Accounts 2019/20 Members Update Report**

**Report by the Director for Digital, Sustainability & Resources**

**Executive Summary**

**Purpose**

1.1 To provide the Joint Governance Committee with an updated position of the Audit of the 2019/20 financial statements for Worthing Borough Council.

1.2 At its meeting on 24th November 2020, the committee approved the financial statements for 2019/20 as presented. The committee was advised that the external audit of these accounts for both Councils was not complete and delegated authority to the Joint Chairmen of the Joint Governance Committee, in consultation with the s151 Officer, to consider and approve any amendments to these accounts, with the requirement for an update report to be brought to the next meeting.

A further report was presented to members at the 26th January committee advising that the Adur District Council financial statements for 2019/20 were complete but the Worthing Borough Council audit was still to be finalised. A further update report was to be presented at the next committee meeting.

1.3 The following appendices have been attached to this report:

- (i) **Appendix 1** Worthing Borough Council Letter of Representation
- (ii) **Appendix 2** Independent Auditors Report to the Members of Worthing Borough Council
- (iii) **Appendix 3** Worthing Borough Council Audit Results Report 2019/20

## **Recommendations**

2.1 The Joint Governance Committee is recommended to:

- Note the revision within the Worthing Borough Council financial statements 2019/20 of the signature dates for the Statement of Responsibilities and Annual Governance Statement to the audit completion date of 8th February 2021.
- Note the amended letter of representation for Worthing Borough Council in appendix 1.
- Note the Independent Auditors Report to the Members of Worthing Borough Council for the 2019/20 financial statements in appendix 2.
- Note the final Audit Results Report 2019/20 for Worthing Borough Council in appendix 3.

## **3. Context**

- 3.1 The Accounts and Audit Regulation 2015, section 8 sets out the requirements of signing, approval and publication of the statement of accounts for 2019/20.
- 3.2 The Chief Financial Officer (CFO) has complied with Section 9 of the regulations which require that the 2019/20 draft accounts be certified by the 31st July 2020.
- 3.3 In accordance with section 9, the CFO has also re-certified on behalf of that authority that they are satisfied that the statement of accounts following the audit presents a true and fair view of the financial position of the Councils at the end of the financial year; and the Councils' income and expenditure for that year.
- 3.4 Following the approval of the statement of accounts in July 2020, the audit of the two sets of accounts commenced. The accounts were presented to the Joint Governance Committee at its meeting on 24th November 2020 with all required disclosure, presentational and other error adjustments identified up to 13th November 2020. The Auditors findings at that stage were identified in the Auditor's draft 2019/20 External Auditor's Audit Results Report (ISA 260). The committee was advised that the audit of the financial statements for both Council were not complete. It was explained that the principal reason for the delay was additional due diligence work required related to the valuation of

property, a small team of specialists within EY were undertaking this work and struggling with the volume within the timescales. This was recognised as a national issue, not confined to Adur and Worthing.

- 3.5 To address the potential late adjustment to the accounts the committee delegated authority to the Joint chairman, in consultation with the s151 officer, to receive any amendments to the accounts, consider them and approve them on behalf of the Joint Governance Committee, and to report back to this committee at its next meeting.

#### **4. Issues for consideration**

- 4.1 The audit of the Worthing Borough Council financial statements 2019/20 was completed and an unqualified audit opinion signed on 8th February 2021. There was one unadjusted error identified in relation to the value of pension liabilities, the accounts were not adjusted as the error is not material. The error relates to the asset values used by the actuary in their pension calculations which were understated by £208,000, the pension liabilities on the balance sheet are overstated and the pension reserve understated. This error is referenced in pages 7 and 18 of the Audit Results Report.
- 4.2 At its meeting on the 24th November the committee considered the Letters of Representation and it was agreed that the wording should be re-ordered to ensure that it is clear that the Chairman is signing on behalf of the Council and confirming that the letter has been discussed and agreed by the Joint Governance Committee. The Letter of Representation for Worthing Borough Council at appendix 1 has been updated for this amendment and section A(5) has been updated to reference the unadjusted error mentioned at 4.1 of this report.

#### **5. Financial Implications**

- 5.1 There are no financial implications that result from this report. The financial position as set out in the Worthing Borough Council financial statements 2019/20 not changed from that reported to this committee on 24th November 2020, the only amendment being the signature dates for the Statement of Responsibilities and the Annual Governance Statement to the completion date of 8th February 2021. The final audited accounts for Worthing Boprough Council 2019/20 are available on the Council website;  
<https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/>

## 6. Legal Implications

- 6.1 The two sets of Statements of Accounts have been prepared in accordance with statutory instrument number 234 (2015), the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, based on International Financial Reporting Standards (IFRS).
- 6.2 The formal approval of the accounts enables the Councils to comply with the Account and Audit Regulations 2015.

### Background Papers

Background Papers:

Accounts and Audit (England) Regulations 2015

[http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi_20150234_en.pdf)

CIPFA Code of Practice on Local Authority Accounting in United Kingdom 2019/20 – Based on International Financial Reporting Standards

CIPFA Guidance Notes for Practitioners 2019/20 Accounts

2019/20 External Auditor’s Report to those Charged with Governance (ISA 260)

23rd July 2020 Joint Strategic Committee – Financial Performance 2019/20  
“Revenue Outturn” and “Capital Projects Outturn”

<https://www.adur-worthing.gov.uk/media/media,154334,en.pdf>

<https://www.adur-worthing.gov.uk/media/media,154335,en.pdf>

28th May 2020 Joint Governance Committee – “The Annual Governance Statements 2019/20 – review and approval”

<https://www.adur-worthing.gov.uk/media/media,153953,en.pdf>

### Officer Contact Details:-

Emma Thomas

Chief Accountant

Worthing Town Hall

01903 221232

[emma.thomas@adur-worthing.gov.uk](mailto:emma.thomas@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

The External Auditor's Audit Results Report - ISA (UK and Ireland) 260 is a publicly available document and as such, the findings in the report have an impact on the Councils reputations with regard to financial Governance.



To:

Ernst & Young  
Grosvenor House,  
Grosvenor Square  
Southampton  
SO15 2BE  
United Kingdom

**Date:** 8 February 2021  
**Service:** Finance  
**Tel:** 01903 221221  
**Email:** [Sarah.gobey@adur-worthing.gov.uk](mailto:Sarah.gobey@adur-worthing.gov.uk)

### **Worthing Borough Council – Audit for the year ended 31 March 2020**

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

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

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

#### **A. Financial Statements and Financial Records**

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

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effect of the unadjusted audit difference, detailed in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented is immaterial to the financial statements taken as a whole.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle blowers") including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

#### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you
  - determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
  3. We have made available to you all minutes of the meetings of the Council, Executive, Joint Governance and Joint Strategic Committees held through the year to the most recent meeting on the following date: 24 November 2020.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
  5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
  7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

#### **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 38 to the financial statements all guarantees that we have given to third parties.

## **E. Subsequent Events**

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

## **F. Other information**

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

## **G. Going Concern**

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

## **H. Use of the Work of a Specialist**

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

## **I. Estimates**

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

**J. Retirement benefits**

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

Signed:



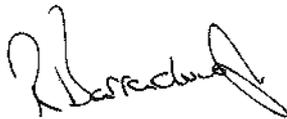
Name: Sarah Gobey

Position: Chief Financial Officer

Date: 08/02/21

**Signed on behalf of Worthing Borough Council**

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



Name: Councillor Roy Barraclough

Position: Chairman, Joint Governance Committee

Date: 08/02/21

Communication schedule for uncorrected misstatements

Entity: Worthing Borough Council

Period Ended: 31-Mar-2020

Currency: £

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							Income statement effect of the current period		Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable	
		(misstatements are recorded as journal entries with a description )	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)				

Factual misstatements:

		Understatement of the Pension Fund asset used by the actuaries in their calculations of £208,000 relating to Worthing Borough Council					208,000					
		Pension Fund long term liability										
		Pension Fund Reserve						(208,000)				

<b>Total of uncorrected misstatements before income tax</b>	0	0	0	208,000	(208,000)	0	0			0
<b>Total of uncorrected misstatements</b>	0	0	0	208,000	(208,000)	0	0			0
Financial statement amounts	19,485,000	252,304,000	(21,970,000)	(131,184,000)	(118,635,000)		(23,165,000)			(2,740,000)
Effect of uncorrected misstatements on F/S amounts	0.0%	0.0%	0.0%	-0.2%	0.2%		0.0%			0.0%
Memo: Total of non-taxable items (marked 'X' above)							0			0
Uncorrected misstatements before income tax							0.0%	0		0
Less: Tax effect of misstatements at current year marginal rate							0%	0		0
Uncorrected misstatements in income tax								0		0
Cumulative effect of uncorrected misstatements after tax but before turnaround							0.0%	0		0
Turnaround effect of prior period uncorrected misstatements										
							After tax	Memo: Before tax		
All factual and projected misstatements:							0	0		
Judgmental misstatements (Note 3):							0	0		
Cumulative effect of uncorrected misstatements, after turnaround effect							0.0%	0		
Current year income before tax							(23,165,000)			
Current year income after tax							(23,165,000)			



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL**

## **Opinion**

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the related notes 1 to 41; the Collection Fund and the related notes 1 to 5.

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

In our opinion the financial statements:

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

## **Basis for opinion**

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

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

## **Emphasis of matter – Property, Plant and Equipment and Investment Property valuation**

We draw attention to Note 4 Assumptions made about the future and other sources of estimation uncertainty, Note 12 Property, plant and equipment and Note 14 Investment Properties of the financial statements, which describe the valuation uncertainty the Council is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

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

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to

continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

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

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

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

We have nothing to report in this regard.

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

### ***Arrangements to secure economy, efficiency and effectiveness in the use of resources***

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

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of the Chief Finance Officer Responsibilities set out on page 29, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

### **Certificate**

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

### **Use of our report**

This report is made solely to the members of Worthing Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson  
Ernst & Young LLP

Helen Thompson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
10 February 2021

**Worthing Borough  
Council**  
**Audit results report**  
Year ended 31 March 2020

February 2021

10 February 2021



Worthing Borough Council  
Worthing Town Hall  
Chapel Road  
Worthing  
West Sussex  
BN11 1HA

Dear Joint Governance Committee Members

We are pleased to attach our final Audit Results Report.

We have completed our audit of the Council for the year ended 31 March 2020, As set out on pages 5 and 6, a number of issues have arisen as a result of Covid-19 which impacted on our audit. We have issued an unqualified audit opinion on the financial statements.

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

We would like to thank your staff for their help during the engagement.

Yours faithfully

Helen Thompson  
Associate Partner  
For and on behalf of Ernst & Young LLP  
Encl

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and 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 Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 01 Executive Summary

# Executive Summary

## Scope update

In our audit planning report included in the papers for the 24 March 2020 Joint Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. In our audit plan update, present to you at the Joint Governance Committee meeting on 22 September, we highlighted the changes to that scope as summarised below:

### Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all local authority bodies.

### Changes to our risk assessment as a result of Covid-19

- ▶ **Valuation of investment property** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of investment property.
- ▶ **Pension Liability Valuation** - Due to the timing of the pandemic and the UK restrictions it is highly likely that the value of plan assets within the pension fund will be significantly impacted - in particular level 3 assets where there is no active market. West Sussex Pension Fund has £488m worth of Level 3 assets as at 31st March 19. Although Worthing Borough Council only represents 2.93% of the fund this is still material at £14.3m at 31 March 2019. Due to the timing of the pandemic the IAS 19 fair value of assets will be based on an estimate. Considering the size and nature of these assets it is likely that actual values will be different to the estimate and even small changes can have a material impact on the Council's accounts. As a result of the Covid-19 impact on fair value valuations, we have escalated this risk from an area of audit focus to a significant risk.
- ▶ **Valuation of Land and Buildings** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property. This impact is expected to affect PPE valued at Existing Use Value (EUUV) as the valuation basis for these properties is linked to recent market transactions. Whilst we have not escalated this to a significant risk, there are additional considerations to the area of audit focus.
- ▶ **Disclosures on Going Concern** - Financial plans for 2020/21 and beyond will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
- ▶ **Adoption of IFRS16** - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of local authority financial statements has been deferred until 1 April 2021. 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 2019/20. We therefore no longer considered this to be an area of audit focus for 2019/20.

## Executive Summary

### Scope update (continued)

#### Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we updated our overall materiality assessment to £1.44 million (Audit Planning Report – £1.44m). This results in updated performance materiality, at 75% of overall materiality, of £1.08 million, and an updated threshold for reporting uncorrected misstatements of £72,000. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration, we were satisfied that the values for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our audit planning report remain appropriate.

We also identified areas where misstatement at a lower level than our overall materiality level might influence the reader and developed an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits. We audit these fully given their inherent sensitive nature.
- ▶ Related party transactions. We consider any related parties in terms of the underlying relationship and potential influence, and not simply the overall values disclosed.

**Information Produced by the Entity (IPE):** 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 or re-run reports on-site from the Council's systems. 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; and
- ▶ Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee in Section 8.



# Executive Summary

## Status of the audit

We have completed our audit of Worthing Borough Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our audit planning report

## Audit differences

We identified one unadjusted audit difference in the draft financial statements which management has chosen not to adjust. We ask that it is corrected or a rationale as to why not corrected be approved by the Joint Governance Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £208,000. We agree with management's assessment that the impact is not material.

There are two adjusted misclassification differences over our reporting threshold, which were identified by the client.

Details can be found in Section 4 Audit Differences.

# Executive Summary

## Areas of audit focus

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

Risk	Findings & Conclusions
<b>Misstatements due to fraud or error (management override)</b>	Our audit work has found no evidence that management had attempted to override internal controls and 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 Council's normal course of business.
<b>Incorrect capitalisation of revenue spend</b>	We are satisfied that capital additions made in the year met the requirements of IAS 16, and had been correctly capitalised.
<b>Introduction of new financial management system</b>	From the work performed we have sufficient assurance the data transfer from the old system to the new system was materially accurate and complete.
<b>Valuation of investment properties</b>	<p>We concluded that the investment properties and assets within land and buildings valued on a similar basis are reasonably stated.</p> <p>We identified that the Council had not initially adequately disclosed the material uncertainty highlighted within the Valuers' Report. We agreed additional wording to enhance the disclosure within the financial statements.</p>
<b>Pensions liability valuation</b>	We concluded that the net pension liability was fairly stated.
<b>Valuation of land and buildings</b>	<p>We concluded that the assets held in property, plant and equipment are reasonably stated.</p> <p>We identified that the Council had not initially adequately disclosed the material uncertainty highlighted within the Valuers' Report. We agreed additional wording to enhance the disclosure within the financial statements.</p>
<b>Going concern disclosure</b>	We have reviewed management's going concern assessment in the draft financial statements. We noted that this disclosure was very limited and requested that management provide an enhanced disclosure and supporting evidence to reflect the impact of Covid-19. Our work included stress testing of assumptions and cash flow forecasts and ensuring the updated going concern disclosure within the financial statements was consistent with management's going concern assessment and that there is no material uncertainty which requires disclosure.



## Executive Summary

### Areas of audit focus (continued)

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 Joint Governance Committee.



# Executive Summary

## Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our audit planning report we identified a significant risks over sustainable resource deployment. We have revisited this assessment and considered the wider results of our other audit procedures; we identified no further significant risks.

Our findings and conclusions in respect of this risk are set out at Section 5 Value for Money Conclusion Risks. We have no other matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

## Other reporting issues

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

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your WGA return. The extent of our review, and the nature of our report, is specified by the NAO. As the Council falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters.

## Independence

We have no issues to report.

Please refer to Section 9 for our update on Independence.



02

## Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

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

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

##### What judgements are we focused on?

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

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

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

##### What did we do?

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

##### What are our conclusions?

Our audit work has found no evidence that management had attempted to override internal controls.

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

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

This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.





## Areas of Audit Focus

# Significant risk



### Further details on procedures/work performed

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

We have:

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

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

- ▶ Reviewing the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- ▶ Reviewing and discussing with management and challenging any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
  - ▶ IAS 19 disclosures; and
  - ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

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

- ▶ Reviewing the transactions in the financial statements for evidence of any significant unusual transactions.

In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk related to the capitalisation of revenue expenditure and a separate significant risk over the valuation of investment properties and included the valuation of land and buildings as an area of audit focus as set out on the following slides.



## Areas of Audit Focus

### Significant risk

#### Risk of fraud in revenue and expenditure recognition - specifically in inappropriate capitalisation of revenue expenditure

##### What is the risk?

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

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

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

##### What did we do?

Our approach focussed on:

- ▶ For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- ▶ We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- ▶ Journal testing - we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.
- ▶ Revenue Expenditure Funded by Capital Under Statute (REFCUS) - We extended our testing of items that were classified as REFCUS in the year by lowering our testing threshold. We challenged managements classification to ensure that items were appropriately included in this category. Expenditure that is classed as REFCUS is mainly in the form of capital grants where the Council does not receive an asset on their Balance Sheet.

##### What are our conclusions?

The Council made additions to operational assets of £12.5 million and Investment Properties of £45.0 million.

The Council also incurred revenue expenditure funded by capital under statute of £1.8 million.

We are satisfied that capital additions made in the year met the requirements of IAS 16, and had been correctly capitalised.

We are also satisfied that the expenditure under REFCUS was appropriately classified.





## Areas of Audit Focus

# Significant risk

### Introduction of new financial management system

#### What is the risk?

The Council introduced its new Technology One financial management system with effect from November 2019. It put in place measures to migrate data on 2019/20 transactions and balances from the old to the new financial management system. The Council's 2019/20 financial statements were prepared using data taken from the new general ledger at the end of the financial year.

To ensure the production of materially accurate and complete 2019/20 financial statements, it is essential that the Council is assured over the completeness and accuracy of financial data to its new general ledger.

#### What did we do?

We:

- ▶ met officers to discuss and understand the process for implementing the new financial management system.
- ▶ reviewed the actions taken by the Council to ensure the complete and accurate migration of financial data to the new general ledger. This included reviewing the effectiveness of reconciliation processes.
- ▶ undertook our own testing on the completeness and accuracy of data migration.
- ▶ met internal audit to understand the work they had completed in 2019/20 in relation to the new ledger system.
- ▶ reviewed how data from the new system maps to the statement of accounts, as part of our understanding of the accounts production process for 2019/20.

#### What are our conclusions?

From the work performed we have sufficient assurance the data transfer from the old system to the new system was materially accurate and complete.





## Areas of Audit Focus

### Significant risk

#### Valuation of Investment Properties

##### What is the risk?

The fair value of Investment Properties represents a significant balance in the Council's accounts (£78.6 million) and is subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end.

Since late March 2020 in the UK, Covid-19 has had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents or seek to negotiate rent reductions as they can no longer trade effectively. This could have a significant impact on investment properties and we have therefore raised a significant risk in relation to these valuations.

The value of Investment Properties at 31 March 2020 was £74.5 million.

##### What did we do?

We have:

- ▶ Considered the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

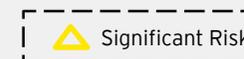
We also noted that the Council's valuer attached a 'material uncertainty' clause to their valuation as a result of Covid. We reviewed the adequacy of the disclosure of this in the Council's accounts.

##### What are our conclusions?

We concluded that the investment properties and assets within land and buildings valued on a similar basis are reasonably stated.

We identified that the Council had not initially adequately disclosed the material uncertainty highlighted within the Valuers' Report. We agreed additional wording to enhance the disclosure within the financial statements.

Our audit opinion includes an emphasis of matter paragraph which draws attention to the material uncertainty over property valuations included within the valuers report and we will require additional disclosure in the financial statements regarding this matter, as a result of Covid-19. Our opinion is not modified in respect of this matter.





## Areas of Audit Focus

# Significant risk



### Further details on procedures/work performed

We reviewed the adequacy of the scope of the work of the valuer and reviewed their professional capabilities. This, in conjunction with the review performed by our property valuation team, provides us with assurance over the work performed by the valuer.

We performed testing to ensure that the base data provided by the Council to the valuers to aid in their valuations, such as floor areas and rental agreements were consistent with the underlying records. We did not identify any issues in this testing.

We instructed our property valuation team to review a sample of the valuations performed by the Council. The review focused on whether the valuations were based on reasonable and supportable assumptions. We were able to conclude that the investment properties were all valued within a reasonable range and that the assumptions used by the valuers were supportable.

Our property valuation team highlighted that the Council values the majority of their assets at 1 April each year and then performs an indexation process to amend the valuation of assets to 31 March 2020 based on a market review performed by the external valuer. However, some assets were revalued at 31 March 2020.

We verified that the accounting entries included in the financial statements reflected the valuation movements and that the financial statements agreed with the underlying fixed asset register.

### **Recommendation 1**

Management should consider the timing of the valuation of the assets. Performing a valuation closer to 31 March 2020 provides greater assurance over the balances at the year end date.

Management Response:

We have had discussions internally regarding the timing of the valuations and due to the volume of work and the earlier statutory closedown we have concerns that there would be a risk on the ability to complete the accounts on time.

Responsible **Officer:**

Chief Accountant



## Areas of Audit Focus

### Significant risk

#### Pension liability valuation

##### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council. The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £34 million. 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 therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. In the prior year the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Council's actuary to be basing their assumptions taking into account the Council's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

Due to the timing of the pandemic and the UK restrictions it is highly likely that the value of plan assets within the pension fund will be significantly impacted - in particular level 3 assets where there is no active market. West Sussex Pension Fund has £488m worth of Level 3 assets as at 31st March 19. Although Worthing Borough Council only represents 2.93% of the fund this is still material at £14.3m at 31 March 2019. Due to the timing of the pandemic the IAS 19 fair value of assets will be based on an estimate. Considering the size and nature of these assets it is likely that actual values will be different to the estimate and even small changes can have a material impact on the Council's accounts.

##### What did we do?

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

##### What are our conclusions?

The value of the liability as at 31 March 2020 was £13.5 million.

We identified that the pension fund asset value at 31 March 2020 used by the actuary in their report was understated by £208,000.

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

In all other respects we have no findings to report.



## Areas of Audit Focus

### Significant risk



#### Further details on procedures/work performed

We:

- ▶ Liaised with the auditors of West Sussex Pension Fund to obtain assurances over the information supplied to the actuary in relation to Worthing Borough Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.
- ▶ Considered the movement in fund asset values between the actuary's estimate and year end;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- ▶ Reviewed the Council's calculation of the impact of the 'McCloud' and 'Goodwin' judgement noting that the post balance sheet events did not have a material impact on the pension liability and therefore are not required to be disclosed as post balance sheet event

We have considered the assurance reports from the West Sussex Pension Fund Auditor.

We have considered the information provided by the EY Pensions actuarial team and are satisfied that the information supplied to the actuary is accurate and the assumptions applied by the actuary are reasonable.

We considered the Council's response to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud case. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April 2015 to be eligible for remedy. Our EY Pensions team has reviewed the approach taken by Hymans Robertson and established that the approach was reasonable, but noted the approach used by Hymans Robertson was likely to be more approximate compared to other actuaries.

The release of the Consultation allowed the actuary to complete a more detailed calculation of the added McCloud benefit for individual scheme members as opposed to rely on the GAD assumption. EY Pensions confirmed that if the McCloud impact was immaterial using Hymans' pre-consultation methodology, we would expect the McCloud impact to decrease and so remain immaterial. We noted that as the McCloud allowance for Worthing Borough Council was £175,000, any further decrease in the allowance would be immaterial and likely trivial. As the adjustment relates to a post balance sheet event (i.e. the release of the consultation) an adjustment would only be required if it is material, as it is clearly not, no adjustment is required.

As a result, we are satisfied that the IAS 19 report used in the preparation of the draft financial statement is based on appropriate assumptions. We have also considered the impact of another recent legal ruling (referred to as Goodwin) and are satisfied based on the current guidance we have that the impact of this is not material to the Council's financial statements. Therefore no adjustments have been proposed. We have asked the Council to consider whether the post balance sheet events disclosure should be updated to reflect these recent events.



## Areas of Audit Focus

### Other risk

#### Valuation of property, plant & equipment

##### What is the risk?

The value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. The value of operational assets in the draft accounts at 31 March 2020 is £109.5 million, £43.9 million of which is valued at Existing Use Value (EUV) with the remaining properties £65.6 million at Depreciated Replacement Cost (DRC).

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end.

This impact is expected to affect PPE valued at EUV as the valuation basis for these properties is linked to recent market transactions.

##### What did we do?

We have:

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

We also noted that the Council's valuer attached a 'material uncertainty' clause to their valuation as a result of Covid-19. We reviewed the adequacy of the disclosure of this in the Council's accounts.

##### What are our conclusions?

We concluded that the assets held in PPE are reasonably stated.

We identified that the Council had not initially adequately disclosed the material uncertainty highlighted within the Valuers' Report. We agreed additional wording to enhance the disclosure within the financial statements.

Our audit opinion includes an emphasis of matter paragraph which draws attention to the material uncertainty over property valuations included within the valuers report and we will require additional disclosure in the financial statements regarding this matter, as a result of Covid-19. Our opinion is not modified in respect of this matter.



## Areas of Audit Focus

### Other risk



#### Further details on procedures/work performed

We reviewed the adequacy of the scope of the work of the valuer and reviewed their professional capabilities. This, in conjunction with the review performed by our property valuation team, provides us with assurance over the work performed by the valuer.

We performed testing to ensure that the base data provided by the Council to the valuers to aid in their valuations, such as floor areas and rental agreements were consistent with the underlying records. We did not identify any issues in this testing.

We instructed our property valuation team to review a sample of the valuations performed by the Council across PPE and Investment Properties. The review focused on whether the valuations were based on reasonable and supportable assumptions. We were able to verify that the valuation of the investment properties and property, plant and equipment reviewed by our property valuation team were all within a reasonable range. Our valuation team concluded that the assumptions used by the valuer were supportable.

Our property valuation team highlighted that the Council valued the majority of their assets at 1 April 2019 each year and then perform an indexation process to amend the valuation of assets to 31 March 2020 based on a market review performed by the external valuer. However, some assets were revalued at 31 March 2020.

We tested the accounting treatment of assets not formally revalued in year and challenged the Council on their application of their indexation methodology. Our testing of the indexation did not identify any issues.

We verified that the accounting entries included in the financial statements reflected the valuation and indexation movements and that the financial statements agreed with the underlying fixed asset register.

#### **Recommendation 2**

The Council should implement a formal process for the cyclical valuation of assets to ensure that a representative sample of assets in PPE are valued each year to ensure that the cyclical valuations are performed in line with CIPFA's Code of Practice on Local Authority Accounting and to provide corroborative evidence of the market review obtained from the valuer for the indexation of the assets not revalued in the year, which provides assurance over the material accuracy of the entire population.

#### **Management Response:**

This is a recommendation that the Council would look to consider and take forward but would need to be a progressive change over several years.

#### **Responsible Officer:**

Chief Accountant



## Areas of Audit Focus

### Other risk

#### Going Concern Disclosure

##### What is the risk?

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

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

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

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

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

##### What did we do?

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

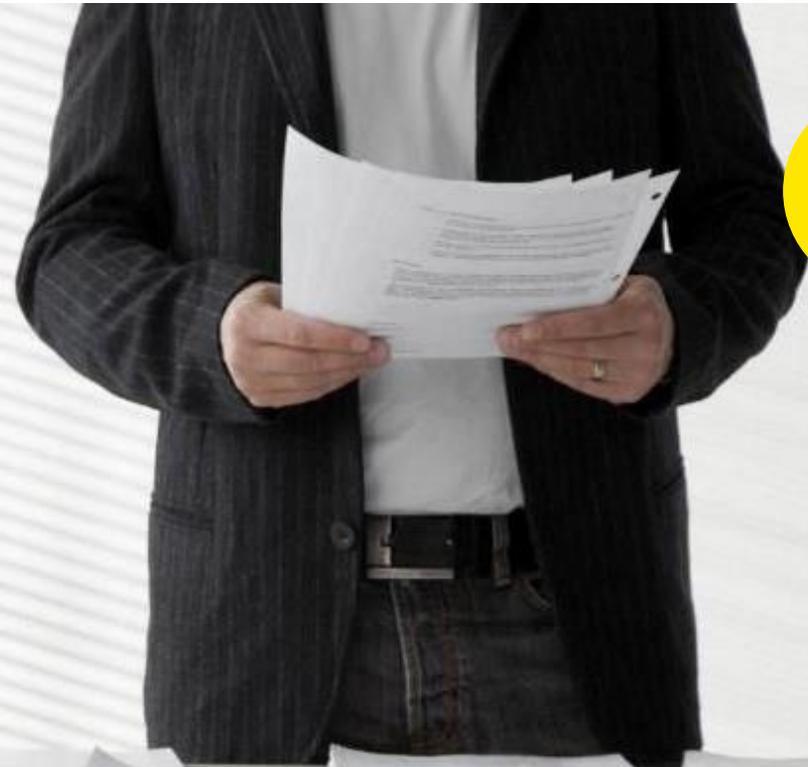
- ▶ Current and developing environment;
- ▶ Liquidity (operational and funding);
- ▶ Mitigating factors;
- ▶ Management information and forecasting; and
- ▶ Sensitivities and stress testing.

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

##### What are our conclusions?

We have reviewed management's going concern assessment in the draft financial statements. We noted that this disclosure was very limited and requested that management provide an enhanced disclosure and supporting evidence to reflect the impact of Covid-19. Our work included stress testing of assumptions and cash flow forecasts and ensuring the updated going concern disclosure within the financial statements was consistent with management's going concern assessment and that there is no material uncertainty which requires disclosure.

We complied with our internal consultation processes in relation to going concern and concluded that the revised disclosure was sufficient and that the going concern assessment covered all relevant aspects.



# 03 Audit Report



# Audit Report

## Draft audit report

Our opinion on the financial statements is included below.

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL

##### Opinion

We have audited the financial statements of Worthing Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and related notes 1 to 41; and the Collection Fund and the related notes 1 to 5.

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

In our opinion the financial statements:

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

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGNO1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

##### Emphasis of matter - Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 4 Assumptions made about the future and other sources of estimation uncertainty, Note 12 Property, plant and equipment and Note 14 Investment Properties of the financial statements, which describe the valuation uncertainty the Council is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

##### Conclusions relating to going concern

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

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



# Audit Report

## Draft audit report

### Our opinion on the financial statements

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

#### Other information

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

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

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

We have nothing to report in this regard.

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

#### Arrangements to secure economy, efficiency and effectiveness in the use of resources

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

#### Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 29, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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



# Audit Report

## Draft audit report

### Our opinion on the financial statements

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

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

#### Certificate

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

#### Use of our report

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

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

Helen Thompson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton



# 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 adjusted and unadjusted differences

We highlight the following misstatements greater than £1.08 million which have been identified and corrected by management during the course of our audit.

- £1.4 million misclassification misstatement between short term debtors and short term creditors
- £1.8 million misclassification misstatement in the Collection Fund between Precepts and the Surplus

We identified one misstatement above our reporting threshold of £72,000 that management has chosen not to adjust. As reported on page 18, we identified that the pension fund asset value at 31 March 2020 used by the actuary in their report was understated by £208,000. The impact of this is that the pension fund liability is overstated by £208,000.

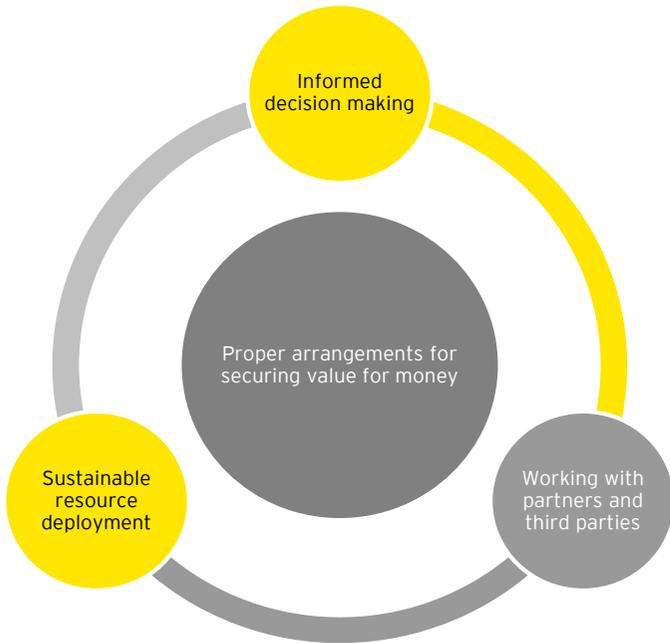


**05**

## **Value for Money Risks**



# Value for Money



## Background

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

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

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

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

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

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

## Impact of Covid-19 on our value for money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 value for money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 value for money assessment auditors should consider local authorities’ response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

## Overall conclusion

We identified one significant risk around these arrangements. The table on the next page presents our findings in response to the risk in our audit planning report. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

## Value for Money Risks

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

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

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

The table below presents the findings of our work in response to the risks areas in our audit planning report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p><b><i>The Council will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</i></b></p> <p>The Council continues to face significant financial challenges over the coming years. We concluded last year that the Council’s Medium Term Financial Plan was sound and we noted that plans were in place to deliver the 2019/20 budget.</p> <p>In the 2019/20 budget, the Council originally identified a budget gap of £14.9 million over the next 4 years to 2023/24. It has identified £7.6 million of savings to mitigate this gap, however, the leaves £6 million of savings yet to be identified.</p> <p>At 31 March 2019, the Council had £18.1 million of usable revenue reserves. This included the General Fund reserve of £869,000 which is just above the minimum level set by the Section 151 Officer. These reserves would not be sufficient to cover any shortfall in savings were they not to be achieved and leaves little resilience to meet unexpected issues.</p>	<p>Deploy resources in a sustainable manner</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▪ Used the PSAA’s value for money profile tool to assess Council spending against similar councils.</li> <li>▪ Reviewed, assessed and challenged the key assumptions used by the Council to create the medium term financial strategy.</li> <li>▪ Reviewed the outturn position against budget for 2019/20 and the Council’s financial position at 31 March 2020.</li> <li>▪ Reviewed the Council’s monitoring of savings required in service budgets.</li> </ul> <p>We also</p> <ul style="list-style-type: none"> <li>• Reviewed the Council’s strategy for purchasing commercial property.</li> <li>• Considered the financial and governance procedures in place regarding this strategy.</li> <li>• Considered whether the Council has obtained appropriate professional advice regarding purchases made within the strategy.</li> </ul> <p>In summary, we remain satisfied that the MTFS has been prudently updated in the light of the current economic climate and that the assumptions underpinning it remain reasonable. However, there is still significant uncertainty over future funding from central government. Therefore, the Council needs to continue to seek out methods to generate savings without impacting on services and retaining a sustainable financial position.</p> <p>Our detailed findings are set out on the following pages.</p>



## Areas of Audit Focus

### Significant risk

#### What are our findings?

##### **Review of the PSAA's value for money profile tool to assess Council spending against similar councils**

We reviewed the PSAA's value for money profile tools which compared the Council to its nearest statistical neighbours. This highlighted a number of areas where the Council's expenditure is significantly higher or lower than other similar councils. Many of these areas are where the Council's reportedly higher spending results from the specific nature or arrangements at the Authority, such as its size (which typically means higher cost per head, as one of the smallest authorities) or partnership working arrangements which result in low administration costs.

Further, there are unique demographic and geographical influences on these factors. Spend on Housing Services per head continues to be significantly higher than average, for example, while net spend on Housing Benefit administration continues to be significant below the average. Each of these specific areas are known to the Council and areas of specific focus. The fact these figures are higher than statistical neighbours does not indicate weaknesses in the Council's proper arrangements to achieve economy, efficiency and effectiveness.

##### **Reviewed, assessed and challenged the key assumptions used by the Council to create the medium term financial strategy**

The Council set a balanced budget for 2020/2021 and planning is underway for 2021/22. The Council has updated the Medium Term Financial Strategy (MTFS) for the impacts of Covid-19. We ascertained that all the key assumptions used in creating the 2020/21 annual budget and beyond in the MTFS appear to be reasonable and justified. There are sound internal and external justifications behind the changes in the assumptions for the future years (in inflation and Council Tax for example) and the Council appears to have conservatively estimated savings over the 5-year period of the MTFS.

The Council is facing, and will continue to face, significant financial challenges. The Council carries very low reserves for an organisation of its size, although it is meeting the minimum stated General Fund reserve (6% of revenue expenditure) with a General Fund balance of £1,705,000. When combined with earmarked revenue reserves of £3,525,000, the Council has total available revenue reserves of £5,230,000 as at 31 March 2020.

We recognise that the financial challenge to the Council remains, and further savings requirements will need to be made in order for the Council to build up reserves.

The Council can clearly articulate the impact of Covid-19 on its financial position and has savings plans in place to mitigate the additional pressure on budgets. However, the low reserve levels held by the Council have created risk during the pandemic when it was unclear how much government funding would be received. The subsequent announcements have relieved this pressure in the short term.

##### **Reviewed the outturn position against budget for 2019/20 and the Council's financial position at 31 March 2020.**

The financial outturn for the General Fund shows that the Council has again contained expenditure within the original budget levels despite facing a range of additional costs that were not part of the original budget. The Council has reported an underspend of £982,248 against a revenue budget of £13,704,010 and capital spend of £64,486,000 against a revised budget of £66,390,000.



## Areas of Audit Focus

# Significant risk

### What are our findings?

#### **Reviewed the Council's monitoring of savings required in service budgets**

Based on previous experience of the Council's budget process, whereby the savings required have been detailed in the budget book and through budget monitoring procedures down to service or activity level, we have concluded that the saving requirements will be appropriately identified and monitored.

Whilst the Council has updated the MTFS in the light of COVID-19 and continues to identify savings, there is a cumulative budget gap across the period to 2025/26 of £19.9 million. The Council has identified £15.5 million of savings to date; however, this leaves a remaining budget gap of £4.4 million.

The Council appears to be prioritising savings items and giving these savings appropriate consideration at Committee level when making plans. They have forecast significant additional income from commercial properties and have earmarked funds to help them achieve this.

#### **Reviewed the Council's strategy for purchasing commercial property.**

The Council has continued to invest in property, a strategy originally established during 2017/18 and have purchased significant commercial property, some of which is outside its boundary. Significant purchases (£45.0m) were made in 2019/20 and more options are being evaluated. The Council has continued to borrow to invest in properties.

The Council's strategy appears to be consistent across all main areas (investment, treasury, and commercial) - investment and commercial goals are aimed towards facilitating investment in commercial properties. Treasury management makes plans for this and works to balance the need to invest in properties that will generate future income, with the need to implement short term savings.

The Council has sought appropriate sufficient financial advice from third parties who are well qualified to issue it, including both external financial advice and Treasury Management support.

#### **Considered the financial and governance procedures in place regarding this strategy.**

The Council appears to have a clear plan for risk management and oversight in place to prevent risk. Importantly there is a risk response plan in place for when risks are identified. The governance procedures in place to minimise risks associated with the individual property purchases appear to be robust - there are set timetables for updates to the committees; and committee members appear to be engaged and questioning about the purchase plans.

To manage long term strategic risk, the Council has a standardised prescriptive procedure in place for identifying, categorising and managing risks. This helps departments to be more aware of the risks that they face and to be better prepared to manage them if they arise.

Financial risk management is predominantly based around ensuring the Council has sufficient funds to support itself on any occasions when spend is higher than anticipated. The Council is also working on building up their reserves over the next five years to support this.



## Areas of Audit Focus

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### Significant risk

#### What are our findings?

**Considered whether the Council has obtained appropriate professional advice regarding purchases made within the strategy.**

The Council commissioned a report on the commercial investment plan by a private sector property consultancy firm in the prior year. The Council has used the advice of the consultancy firm in areas such as planning the size of the fund and the level of revenue retention to maintain, which has been incorporated into budgets. This report has helped guide the Council in both financial planning and financial due diligence. The background information allows the Council to check that figures and expectations in the strategy are robust while the recommendations provided help shape future financial plans.

With respect to property purchases throughout the year, the Council has received external support from estate agents and property surveyors. This helps the Council with the valuation of the property and the anticipated return on investment, as well as evaluating the physical condition of the proposed purchase. The surveyor's report also includes legal due diligence, for example checks on the legal title, tenure and service charges and existing contracts.



## 06 Other reporting issues

## Other reporting issues

# Other reporting issues

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

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

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

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

### Whole of Government Accounts

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

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

### Other powers and duties

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

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

### Other matters

We have no other matters to report.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

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

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

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

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

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. We have also raised two recommendations for improvement relating to the Council's processes for the valuation of its long term physical assets which are set out in Section 2 of this report.



08

Independence

## Confirmation and analysis of Audit fees

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

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

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

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

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

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

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

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

Description	Estimated Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Total Fee - Code work (1)	36,311	36,311	36,311
Change in financial management system	10,500	n/a	n/a
Value for money risk	3,000	n/a	3,000
Additional Covid -19 related costs (2)	TBC	n/a	n/a
Total audit	TBC	36,311	39,311
Other non-audit services not covered above (Housing Benefits)	TBC	n/a	14,910
Total other non-audit services	TBC	n/a	14,910

All fees exclude VAT

Note:

(1) We outlined in our audit plan the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity and therefore it endangers the sustainability of Local Audit in the future.

Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council, which has been shared with management but we have not reached agreement on that rebasing.

(2) We will hold discussions with officers regarding the additional fee for the work required in relation to Covid-19.

All additional fees will be subject to approval by PSAA.

## 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://www.ey.com/en\\_uk/who-we-are/transparency-report-2020](https://www.ey.com/en_uk/who-we-are/transparency-report-2020)



09

## Appendices

## Appendix A

# Required communications with the Joint Governance Committee

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

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Terms of engagement	Confirmation by the Joint Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report to Joint Governance Committee in March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report to Joint Governance Committee in March 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Worthing Borough Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Joint Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	November 2020 Joint Governance Committee
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Joint Governance Committee responsibility.</li> </ul>	<p>Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021</p> <p>No matters to report.</p>

# Appendix A

		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"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	<p>Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021</p> <p>No matters to report.</p>
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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report to Joint Governance Committee in March 2020 and Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021</p>

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	<p>Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021</p> <p>No matters to report.</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Joint 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 Joint Governance Committee may be aware of</li> </ul>	<p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	<p>Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021 and Annual Audit Letter.</p> <p>No matters to report.</p>

# Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	<p>Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021</p> <p>No matters to report.</p>
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report to November 2020 Joint Governance Committee
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit planning report to Joint Governance Committee in March 2020 and Audit results report to November 2020 Joint Governance Committee and final audit results report circulated to members in February 2021

# Management representation letter

## Management Rep Letter

Ernst & Young LLP

Grosvenor House,  
Grosvenor Square,  
Southampton SO15 2BE,  
United Kingdom

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

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

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

### A. Financial Statements and Financial Records

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

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

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effect of the unadjusted audit difference, detailed in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented is immaterial to the financial statements taken as a whole.

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

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

# Management representation letter

## Management Rep Letter

matters:

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

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements[, including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Council, Executive, Joint Governance and Joint Strategic Committees held through the year to the most recent meeting on the following date: February 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 period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

### D. Liabilities and Contingencies

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

### E. Subsequent Events

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

# Management representation letter

## Management Rep Letter

### F. Other information

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

### G. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### H. Use of the Work of a Specialist

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

### I. Estimates

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

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

### J. Retirement benefits

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

Signed:

Name: Sarah Gobey

Position: Chief Financial Officer

Date:

Signed on behalf of Worthing Borough Council

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

Name: Councillor Barraclough

Position: Chairman, Joint Governance Committee

Date:

## Appendix C

# Accounting and regulatory update

## Accounting update

Since the date of our last report to the Joint Governance Committee, there have been a number of exposure drafts, discussion papers and other projects issued. 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 Worthing Borough Council 
IFRS 16	<ul style="list-style-type: none"> <li>▶ 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 2019/20.</li> </ul>	<p>IFRS 16 - leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.</p> <p>The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.</p> <p>In particular, full compliance with the revised standard for 2022/23 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2022 in order to identify:</p> <ul style="list-style-type: none"> <li>▶ all leases which need to be accounted for</li> <li>▶ the costs and lease term which apply to the lease</li> <li>▶ the value of the asset and liability to be recognised as at 1 April 2022 where a lease has previously been accounted for as an operating lease.</li> </ul> <p>We will discuss progress made in preparing for the implementation of IFRS 16 - leases with the finance team over the course of our 2021/22 audit.</p>

## Appendix C

### Regulatory update

Since the date of our last report to the Joint Governance Committee, there have been a number of regulatory developments. 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 Worthing Borough Council 
Code of Audit Practice 2020	<ul style="list-style-type: none"> <li>▶ The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.</li> </ul>	<ul style="list-style-type: none"> <li>▶ The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed.</li> <li>▶ Further updates will be provided when possible.</li> </ul>
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> <li>▶ The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020.</li> <li>▶ This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage.</li> <li>▶ Further updates will be provided when possible.</li> </ul>
Independence	<ul style="list-style-type: none"> <li>▶ The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs). This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.</li> </ul>

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ED None

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