

**Daventry District  
Council**  
**Audit results report**  
Year ended 31 March 2021

29 September 2021



**EY**

Building a better  
working world



29 September 2021



Private and Confidential  
Dear Audit and Governance Committee Members

Daventry District Council - West Northamptonshire Council  
Lodge Road  
Daventry  
NN11 4FP

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

We have substantially completed our audit of Daventry District Council for the year ended 31 March 2021. At the date of this report, the substantive areas to complete are Pension Valuation, we are waiting for a response from the auditors of Northamptonshire Pension Fund to the programme of work we requested on the Pension Fund assets and liabilities. . We have engaged with EY Real Estate to assess the values of a sample of Investment Property and PPE and have requested further information from the council's valuers. We will also need to review the Authority's Going Concern disclosures once that information is provided. Our VFM work is in progress however we have not identified any significant weaknesses to date. We will review the group accounts and the responses from the component auditor on group procedures once that is provided to us.

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

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

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

We would like to thank your staff for their help during the engagement and welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 29 September 2021.

Yours faithfully

Neil Harris

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

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

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

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



# 01 Executive Summary



# Executive Summary

## Scope update

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

### Changes in materiality:

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £0.831million, with performance materiality, at 75% of overall materiality, of £0.623 million, and a threshold for reporting misstatements of £0.084m. We updated our planning materiality assessment using the draft accounts and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £0.812million. This results in updated performance materiality, at 75% of overall materiality, of £0.609 million.

The basis of our assessment is 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) is £0.041m.

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

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

## Audit differences

We currently did not identify audit difference in the draft financial statements submitted by management.

## Areas of audit focus

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

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

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

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

## Control observations

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

# Executive Summary

## Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

## Value for money - progress update

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

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

## Other reporting issues

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

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

We have no other matters to report.

## Independence

Please refer to Section 09 for our update on Independence.



# Executive Summary

## Status update

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

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

## Whole of Government Accounts

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

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

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



02

## Areas of Audit Focus



# Areas of Audit Focus

## Significant risk

### Misstatements due to fraud or error

#### What is the risk?

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

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

#### What judgements are we focused on?

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

#### What did we do?

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

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

#### What are our conclusions?

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

We have not identified any instances of inappropriate judgements being applied. Please also see pages 11-12 for our conclusion on property valuation and pension liability.

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





## Areas of Audit Focus

### Significant risk

#### Inappropriate capitalisation of revenue expenditure [Fraud Risk]

##### What is the risk?

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

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

Whether management have appropriately classified expenditure as capital in nature

##### What did we do?

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

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

##### What are our conclusions?

We have not identified any revenue items that have been inappropriately capitalised from our substantive testing however we do have journal entry testing in progress but not expected to identify unusual items





## Areas of Audit Focus

### Significant risk

#### Risk of error in the valuation of property, including investment properties

##### What is the risk?

###### Valuation of Land and Buildings

Property, plant and equipment (PPE) and Investment Property assets represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end asset property valuations held on the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

As at 31 March 2021 the value of the Council's PPE was £68m and Investment Properties £29m. Due to significant economic uncertainty caused by the Covid-19 pandemic there is an increased risk that asset valuations (based on market conditions) may be materially misstated.

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

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- Harder to value assets - such as Leisure Centres which are valued on a depreciated replacement cost basis;
- High value assets carried at fair value;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

##### What did we do?

Our work in this area remains in progress and involves:

- Considering the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Consulting with the EY Real Estates team on significant assets and identifying whether key assumptions or the valuation methodology of other assets have changed and understanding the rationale, involving EY Estates as necessary;
- Testing inputs into a sample of valuations to ensure that they are appropriate and supportable;
- Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated and;
- Testing accounting entries have been correctly processed in the financial statements.
- Based on the procedures performed to date, we have not identified any issues

##### What are our conclusions?

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.

The Council's internal valuers, have issued a statement in their report that the valuations are subject to a material uncertainty in respect of that crisis. The Council considers that the valuations are appropriate at the year-end date, but acknowledge that these values may subsequently change. Consequently, less certainty- and a higher degree of caution attached on their review and valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, The internal valuers recommended to keep valuation portfolio under frequent review.

With the assistance of our specialist, EY Real Estates, we are reviewing the significant assumptions used by the Authority's valuer, the valuation of all the properties tested falls within an acceptable and supportable range, the work by EYRE and the audit team is in progress and expected to be finalised soon

Disclosures to the accounts relating to valuations are also undergoing reviews to confirm we are satisfied with the material uncertainty disclosed and is consistent with the findings from EY Real Estates.



## Areas of Audit Focus

# Inherent Risks and Other areas of audit focus

### Pension net 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 the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31<sup>st</sup> March 2021 this totalled £35 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 due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk.

#### What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- ▶ significant changes in assumptions made by the actuary;
- ▶ the assessments of the actuary undertaken by PWC, as consulting actuary commissioned by the National Audit Office, and the EY actuarial team the assessments of the actuary undertaken by PWC and the EY actuarial team; and
- ▶ Impact on the Authority's pension valuation of Covid-19 reported by the Northamptonshire Pension Fund (NPF) auditor based on the pension fund assurance response.

#### What did we do?

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

#### What are our conclusions?

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

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

Continued on next page



## Areas of Audit Focus

# Inherent Risks and Other areas of audit focus

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The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31<sup>st</sup> March 2021 this totalled £35 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 due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk.

#### What are our conclusions?

##### Continued

One issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 29 September 2021 meeting.

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



# Areas of Audit Focus

## What is the risk/area of focus?

### Going Concern disclosures

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

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

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

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

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

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

## What will we do and our conclusions?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

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

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

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

**Our work on going concern is yet to conclude, this is one of the outstanding matter set out in Appendix B of this report.**



## Areas of Audit Focus

### What is the risk/area of focus?

#### Recognition of grant income associated with Covid-19

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

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

### What will we do and our conclusions?

Our approach has focused on:

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

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

**Conclusion:** Our work is substantially complete and have not identified any misstatements to report on to date



# 04 Audit Differences





# Audit Differences

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

## **Summary of Audit differences as at 13<sup>th</sup> September 2021**

At the date of this report, we highlight we have not identified any misstatements greater than the reporting threshold of £41,000 which have not been corrected by management that were identified during the course of our audit.



05

## Value for Money



# Value for Money

## The Council's responsibilities for value for money

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

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

## Risk assessment

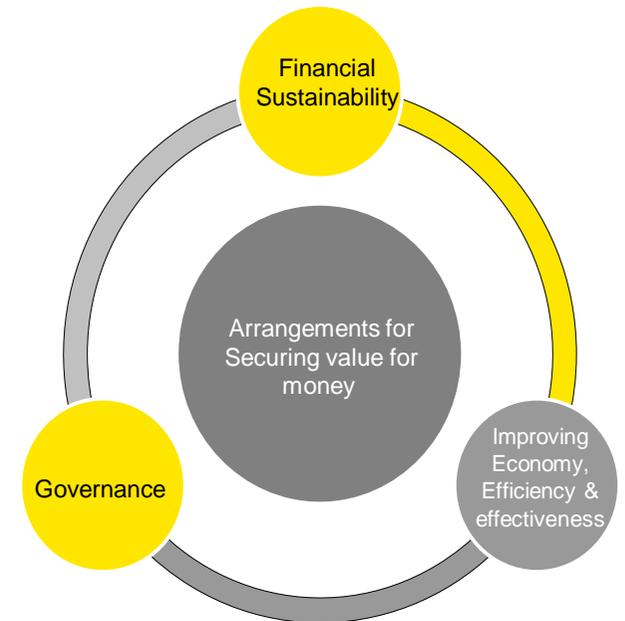
Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

No significant risks were identified through our risk assessment.

## The Council's responsibilities for value for money

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

As a result, we currently have no matters to report by exception in the auditor's annual report.





## 06 Other reporting issues

## Other reporting issues

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

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

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

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

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

## Other reporting issues

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# Other reporting issues

### Other powers and duties

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

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

### Other matters

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

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

We have no matters to report.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

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

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

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

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



# 08 Data Analytics



# Use of Data Analytics in the Audit

## ► Data analytics

### Analytics Driven Audit

#### Data analytics

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

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

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

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

#### Journal Entry Analysis

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

#### Payroll Analysis

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



## Journal Entry Testing

### What is the risk?

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

### What judgements are we focused on?

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

### What did we do?

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

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

### What are our conclusions?

Our journal entry testing remains in progress however we will isolate a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

# Independence

## Confirmation of independence 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 July 2021.

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 and your Audit and Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 29 September 2021.

As part of our reporting on our independence, we set out below a summary of the fees you for the year ended 31 March 2021.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee - Code work (Note 1 & 2)	37,564	37,564	37,564
Group Accounts and Quality	TBC		8,162
Property valuations significant risk and use of EY Real Estate Specialist	TBC		8,872
Additional work on pensions	TBC		1,699
Property valuations material uncertainty and Estimates	TBC		2,084
Going concern disclosure & VFM work	TBC		3,472
EY consultations on auditor report	TBC		2,019
<b>Total Audit Fee</b>	TBC		<b>63,873</b>
Other non-audit services not covered above (Housing Benefits)	Nil*	Nil*	Nil*

### 2020/21 Fees:

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

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

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

- Revised ISAs in respect of Estimates and Going Concern as noted in the Audit Plan presented in July 2021
- Additional procedures in relation to COVID-19 and new value for money requirements
- Use of experts in relation to Pensions to satisfy revised ISA requirements.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Audit & Governance Committee.

### Notes:

1. We are currently in discussion with PSAA nationally about an increase to the scale fee. For Daventry District Council, we proposed a revised scale fee of £74,297. This is yet to be determined by PSAA.
2. 2019/20 additional fees as set out in our Annual Audit Letter and Audit Results Report remains subject to approval by PSAA.  
All fees exclude VAT

# Independence

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## Relationships, services and related threats and safeguards

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

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

## Other communications

### **EY Transparency Report 2020**

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

[https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf)

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

# 10 Appendices

## Appendix A

### Audit approach update

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

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

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

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

## Appendix B

### Summary of communications

Date	Nature	Summary
28 June 2021	Meeting	The manager and lead senior of the audit team, met with the finance team and s151 officer for a regular liaison meeting.
21 July 2021	Report	The audit planning report, including confirmation of independence, was issued to the audit committee.
28 July 2021	Audit Committee	The partner in charge of the engagement attended the audit committee
21 September 2021	Report	The audit planning report, including confirmation of independence, will be issued to the audit committee.
29 September 2021	Audit Committee	The partner in charge of the engagement attended the audit committee
July-September	Meeting	The EY audit team met regularly to discuss the progress of the audit with DDC s151 officer and Finance team

## Appendix C

# Required communications with the Audit and Governance Committee

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

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - July 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - July 2021
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 - September 2021

## Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report - September 2021
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 - September 2021
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit results report - September 2021
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and 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 Audit and Governance Committee responsibility.</li> </ul>	Audit results report - September 2021

## Appendix C

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
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>	Audit results report - September 2021
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <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>	Audit planning report - July 2021 and Audit results report - September 2021
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit planning report - July 2021 and Audit results report - September 2021

## Appendix C

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
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>	Audit results report - September 2021
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit planning report - July 2021 Audit results report - September 2021

## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report - September 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report - September 2021
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 - September 2021
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 - July 2021 and Audit results report - September 2021
Certification work	<ul style="list-style-type: none"> <li>▶ Summary of certification work</li> </ul>	Certification Report
Value for money commentary	A commentary on the arrangements in place during 2020/21 to achieve value for money, and any recommendations we may make to improve those arrangements.	Annual auditors report - October 2021

## Appendix D

# Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Group Audit	EY review of consolidation journals, intercompany eliminations Review responses received from component auditors and the work performed by them on the TDECL Consider the impact that Covid-19 has on TDECL's going concern assessment Discussion of any queries with management or any further information to be provided	EY, Management and Component auditor (DNG)
Pension - IAS19	EY Pensions report in relation to completeness and accuracy of model used by actuary in determining Authority obligation. Pension Fund auditor final report outstanding	EY and Management
PPE and Investment Property Valuations	EYRE to issue final report on their review of PPE and Investment Property Valuations and resolve queries with management	EY and Management
Finalisation of Value For Money conclusion	To discuss with management any queries that may arise	EY and Management
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken	EY
Going Concern disclosures	Once we receive the updated Going Concern Disclosures and cash flow forecasts for WNC, we will review the Going Concern disclosures, and complete any associated EY consultation procedures if this is determined to be appropriate.	EY and Management

## Appendix D

# Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Clearance of queries arising from review by Associate Partner and Manager	Ongoing review process	EY
Final version of financial statements	Review of final version of accounts	EY
Receipt of the signed management representation letter	To be provided prior to final sign off of the audit opinion	Chief Financial Officer/Chair of Audit and Governance Committee

# DRAFT Management representation letter

## Management Rep Letter

29 September 2021

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

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

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

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

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

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Company have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Group and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

# Management representation letter

## Management Rep Letter

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

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

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

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

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and its relevant Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 September 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Company's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

# Management representation letter

## Management Rep Letter

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### D. Liabilities and Contingencies

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

### E. Subsequent Events

1. Other than as described in Note 3 to the consolidated and council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the consolidated and parent company financial statements or notes thereto.

### F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent company, subsidiary undertakings and associated undertakings.

### G. Other information

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

### H. Contingent Liabilities

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

### I. Reserves

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

# Management representation letter

## Management Rep Letter

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

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

### K. Property valuation and Pension Liability Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on property and pension valuation and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

*Yours faithfully,*

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Martin Henry- Chief Financial Officer of WNC (S151 Officer)

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Cllr Cecile Irving-Swift - Chairman of the Audit and Governance Committee of WNC



## Appendix F

# Accounting and regulatory update

### Future accounting developments

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

Name	Summary of key measures	Impact on Daventry District 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 2020/21.</li></ul>	<ul style="list-style-type: none"><li>▶ Consider systems impact and need to gather information for comparatives</li><li>▶ Consider timetable to implementation</li></ul>

## EY | Assurance | Tax | Transactions | Advisory

### About EY

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

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ED None

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