Wandsworth Borough Council
Audit results report - final

Year ended 31 March 2021

October 2023

Building a better working world

13 October 2023

Audit Committee
Wandsworth Borough Council
The Town Hall
Wandsworth High Street
London
SW18 2PU

Dear Committee Members

We are pleased to attach our Audit Results Report, summarising our findings from the 2020/21 audit. Our audit is complete and we confirm that we will issue an unqualified opinion on the financial statements of the Council, and we have no matters to report by exception.

Our audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Wandsworth Borough Council 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.

This report is intended solely for the information and use of the Audit Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

Helen Thompson

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 PSAA website (https://www.psaa.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 Committee and management of the Wandsworth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of the Wandsworth Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of the Wandsworth Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our Outline Audit Planning Report presented at the March 2021 Audit Committee, and the detailed Audit Planning Report circulated in September, 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 the following exception:

- Changes in materiality: We updated our planning materiality assessment using the draft consolidated financial statements. Based on our materiality measure of gross revenue expenditure, our overall materiality assessment reduced to £17.782 million (Audit Planning Report – £18.346 million). This resulted in updated performance materiality, at 75% of overall materiality, of £13.4 million, and an updated threshold for reporting misstatements of £0.893 million.

A summary of our approach to the audit of the balance sheet, including any changes to that approach from the prior year audit, is included in Appendix A.

Additional audit procedures as a result of Covid-19

There was one further change in the entity and regulatory environment as a result of Covid-19 that did not result in an additional risk, but had the following impact on our audit strategy:

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
- Agreed IPE to scanned documents or other system screenshots.

Changes to reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, were published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities. Our audit testing was not complete by 30 September 2021 and was subsequently delayed further by the following issues:

Infrastructure Assets:

In March 2022 an issue was raised with the National Audit Office's local government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it was identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

Executive Summary

Scope update

We reviewed the balance sheet for Wandsworth Borough Council. In 2020/21, some £15.9m additions to infrastructure were recognised, and there were no derecognitions. In 2019/20, the equivalent figure was £10.3m additions and no derecognition This would suggest the Council, like most others, has not been fully compliant with the Code. In common with other councils, there may not be sufficient information on which to comply.

Following a process of consultations with the Financial Reporting Advisory Board (FRAB), local councils, accounting bodies, and external audit firms, a resolution was reached in late December 2022:

a. CIPFA issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets.

b. DLUHC issued a Statutory Instrument (SI) (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022). The SI relates to a financial year beginning on or before 1 April 2024 and in respect of which a certificate has not been issued under section 20(2)(a) of that Act. The SI allows for the infrastructure assets opening balance to be brought forward without amendment and determines the carrying amount to be de-recognised in respect of replaced components to be nil.

A CIPFA LAAP bulletin was issued on 11 January 2023 to provide further guidance to affected local authorities.

Management prepared a paper in response to this guidance, which was provided for audit on 23 January. Further detail on our work in relation to this is set out in Section 2 of this report.

Section 106 Accounting:

In preparing the 2021/22 financial statements, officers proposed a prior year adjustment relating to the 2020/21 financial statements relating to the accounting for Section 106 agreements. As we had not previously issued our audit report in respect of the 2020/21 year, we requested management make changes to the 2020/21 financial statements before they are signed by the Council, and before we issue our audit report. We requested working papers to support the Council's Section 106 transactions and balances in July 2022. We received working papers from which we could start our audit procedures on 1 February 2023, although the information provided remained incomplete and resulted in a number of audit queries. Revised working papers were provided at the end of July 2023. Further detail on our work in relation to this is set out in Section 2 of this report.

IAS 19 Triennial Revaluation:

A further national issue was identified following the completion of the Pension Fund triennial valuation as at 31 March 2022, with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. The audit team worked with the Council to understand the impact of this revised valuation as a subsequent event. We concluded that the Council was not required to update its disclosures within the financial statements as at 31 March 2021 to reflect this subsequent event.

Status of the audit

Our audit work in respect of the Council's opinion is complete.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Status of the audit – Value for Money

In the Audit Planning Report circulated to the Audit Committee on 3 September 2021, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO’s 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor’s report (see Section 03. We plan to issue the VFM commentary as part of issuing the Auditor’s Annual Report.

Executive Summary

Audit differences – uncorrected misstatements

The following unadjusted misstatements have been identified:

1) Revenue Expenditure Funded from Capital Under Statute (REFCUS): we sample tested the REFCUS balance of £37.1m disclosed within the Council's accounts . Of the sample of 12 items initially tested, 3 were incorrect and should not have been classified as REFCUS. We carried out further testing of an additional sample of 12 items, of which 2 were incorrect. The Council then elected to test all items within the population over £100,000 (23 items) and no further items were found to be incorrect. Due to the additional testing, we verified £25.8m out of the total £37.1m which represents 69.5% of the total population. We have extrapolated these errors across the untested REFCUS balance which results in an extrapolated difference of £5.657m. As the error of £5.657m is extrapolated, we would not request the Council to amend the financial statements. The most common reason for these errors is that the Council has recognised expenditure incurred in REFCUS for those assets which are currently owned by the Council which is against the basic principle of REFCUS recognition.
2) Community Infrastructure Levy (CIL): The Council's financial statements record CIL debtors of £23.7m. The supporting working paper provided for these debtors suggests the balance is £28m. The Council's listing of CIL debtors therefore did not reconcile to the ledger or accounts, with a difference of £4.24m. Management has spent a significant amount of time investigating this, but while the Council is confident that the figure in the ledger and accounts is correct, sufficient audit evidence does not exist to support this. We have therefore recognised the difference of £4.24m as an uncorrected misstatement. The reason for this variance is that Council is maintaining the spreadsheet rather than making invoice-level adjustments directly on the ledger. In prior years, the difference was below our reporting threshold. However, we understand management has increased recording outside the ledger in the current year which has led to the higher difference. Management will need to undertake a significant exercise to document the CIL income due and the outstanding debtor amount due in preparation for the 2021/22 financial statements.
3) Valuation of investment property: The Council's financial statements include investment property valued at £83.277m. We tested a sample of assets to determine whether the valuation was appropriate, including ensuring the correct underlying data, judgements and assumptions had been used. We also engaged our own valuation expert to review a sample of the assets. This process identified an extrapolated overstatement of the balance of £4.129m.

The following cut-off misstatements have been identified which do not relate to the 2020/21 period as the Council was unable to accrue for these in 2019/20 due to non availability of information. The Council has therefore recognised these amounts in the first available period, which is 2020/21;

- Revenue Expenditure Funded from Capital Under Statute (REFCUS): One factual error of £2.09m related to recognition of REFCUS in the wrong period. The balance is below planning materiality and, under IAS8, would not require amending as a prior year adjustment. Therefore we would not request the Council to amend the financial statements.
- Property, Plant & Equipment (PPE) additions: Our testing identified one item (with a total value of £3,295) which related to 2019/20. The invoice was dated September 2019 but not received until November 2020. The Council has therefore accounted for it in the first available period as there was no order on the ledger on which to base an accrual. We extrapolated over the residual population to assess whether any unidentified, similar items could produce a material error. The projected error of £3.14m is below performance materiality and, under IAS8, would not require amending as a prior year adjustment.

Executive Summary

Audit differences – corrected misstatements

Management have corrected the following misstatements:

1. Infrastructure assets: as stated on page 6, the Council amended infrastructure assets in line with revised CIPFA guidance. This resulted in additional disclosures in note 14a.
2. Section 106: as stated on page 6, the Council revised their accounting treatment for Section 106 balances. This resulted in an adjustment of £77.4m in 2020/21 and £94.7m in 2019/20, impacting disclosures relating to Creditors, Grants Receipts in Advance and Reserves.
3. £6.645m increase to the valuation of Property Plant & Equipment to ensure the financial statements properly reflect the valuation of Council Dwellings provided by the Council's expert valuer.
4. £4.3m reduction in the value of Investment property due to use of incorrect rental income for two assets and use of incorrect remaining deferred period for one asset when calculating the value.
5. £0.95m increase in the value of Property, Plant & Equipment due to use of incorrect rental income for one asset (St Benedicts Day Centre).
6. £4.8m decrease in the value of investment property arising from EY's internal valuers review of the investment property asset valuations. This figure relates to three specific assets
   i. 282 Magdalen Road amounting to £2.8m;
   ii. 70 Queen Street amounting to £0.834m; and,
   iii. Old Street amounting to £1.053m.
7. £2.05m overstatement of the valuation of the Frogmore Depot, arising from challenge of the valuation from EY's internal valuer.
8. £1.3m overstatement of the Atheldene development site (when including capitalised expenditure subsequent to valuation), arising from challenge of the valuation from EY's internal valuer.
9. £18.6m adjustment to the valuation of PPE to removal of Ravenstone Primary School from the Council's Balance Sheet as it had achieved Academy status and therefore should no longer have been included.
10. £17.6m adjustment to move COVID-19 Additional Funding from above the line (grants credited to services) to below the line (non-ringfenced grants) as the revenue is not ringfenced.
11. £32.3m adjustment in respect of the redemption of the joint venture investment, which had been incorrectly netted within investments taken out rather than gross within investments redeemed. Purchase of short-term and long-term Investments was increased by £32.3m and proceeds from short-term and long-term investments was decreased by £32.3m. This adjustment only impacts Note 29, Cash Flow – Investing Activities.
12. £16.486m reclassification of the Improved Better Care Fund Grant from Net Cost of Services to Taxation and Non-Specific Grant Income.

Minor disclosure changes have been made throughout the financial statements in response to auditor queries. This includes the Council updating disclosures relating to going concern to support the use of the going concern assumption in October 2023.

Executive Summary

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of Wandsworth Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the “Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure. Our sample testing of additions to Property Plant and Equipment: • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. We have identified incorrect classification of capital expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS) totalling £5.657m (extrapolated).
Significant Risk	**Findings & Conclusions**
Valuation of land and buildings and investment property - valued under Existing Use Value (EUV)/Fair Value (FV)	We employed the use of our own expert to support the work in relation to the valuation of land, buildings and investment properties valued on an EuV or FV basis. This identified various amendments to the draft financial statements. Further detail is included in Section 2.

Executive Summary

Areas of audit focus (continued)

Area of audit focus / Inherent risk	Findings & Conclusions
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties (area of audit focus)	We tested a sample of the Council's assets valued on a DRC basis, together with a sample of HRA properties. No errors exceeding our reporting threshold were identified, and we are satisfied there is no evidence of material misstatement. Further detail is included in Section 2.
Pension liability valuation (area of audit focus)	We tested the Council's pension liability valuation and assessed the work of the Council's actuary, Barnett Waddingham. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Barnett Waddingham. No material differences were identified from this process. Both EY and the Council have considered the results of the March 2022 Triennial Valuation and concluded no adjustment to the financial statements is required.
Going concern and events after the balance sheet (area of audit focus)	We are satisfied that the Council's use of the going concern assumption is appropriate. We reviewed the Council's disclosures within the financial statements, which now extends until March 2025, and have no matters to report.
Accounting for Covid-19 Grant Income (area of audit focus)	We reviewed the accounting for Covid-19 grant income. We have not identified any evidence of material misstatement.
Expected credit loss calculation (area of audit focus)	We are satisfied that the Council's calculation of the expected credit loss model for the impairment of receivables has been undertaken on a reasonable basis. We have reviewed and challenged the judgements taken and are satisfied that the resulting balance is not materially misstated.
Infrastructure Assets (area of audit focus)	We are satisfied the Council has appropriately accounted for infrastructure assets in accordance with the CIPFA adaption to the Code of Practice on Local Authority Accounting.
Section 106 Accounting (area of audit focus)	We are satisfied the Councils revised accounting for Section 106 balances is materially accurate.

Executive Summary

Areas of audit focus

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

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

Independence

We have no independence issues to highlight.

Please refer to Section 7 for our update on Independence.

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.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2020/21.

We have no other matters to report.

02 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 did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages, which reflect the significant fraud risk recognised in this report (the risk of incorrect capitalisation of expenditure).
- 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.
- Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks documented on this file.
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
  - Testing journals at year-end to ensure there are no unexpected or unusual postings. This included searching for inappropriate journals posted by senior officers; journals with certain narrative descriptions which may allude to override; journals that do not balance to nil; and material journals posted at year end. We were satisfied that those journals tested did not contain evidence of management override.
  - Undertaking a detailed review of accounting estimates for evidence of bias (such as the valuation of land, buildings and investment property valuation, IAS 19 pension balances and the calculation for the Expected Credit Loss model of the bad debt impairment (ECL)) and substantively testing unusual or unexpected transactions. No evidence of override was identified, and no unusual transaction have been identified from work completed to date.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Journal entries subject to specific narrative descriptors, posted at certain times of the financial year or by certain individuals, and journals which exceed certain values;
- Material accounting estimates, such as the valuation of property, plant and equipment and investment property IAS 19 pensions and the ECL; and
- Unusual transactions anywhere in the financial statements.

What are our conclusions?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

We have completed our journals testing. We are satisfied that journal entries had been posted properly and for genuine business reasons.

We have reviewed material estimates. Our work in these areas resulted in amendment to the financial statements, but no indication of fraud was identified.

There were no unusual transactions identified.

Significant risk

Risk of fraud in revenue and expenditure recognition through 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.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment (PPE) and Investment Property (IP) or incorrect classification of expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

2020/21 PPE Additions: £125.32m

2020/21 Investment Property Additions: £9k

2020/21 REFCUS: £37.107m

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also agreed ensured the transaction was supported by sufficient evidence to verify its value and the period it related to. We note that no testing was carried out on IP additions as the value was immaterial.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period it related to.
- Identified and tested significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year. This provided assurance that the transactions were adequate, supported by evidence and valid.

Significant risk

What are our conclusions?

We have found no evidence of incorrect capitalisation of revenue expenditure in PPE additions.

We were satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was appropriately capitalised. However, the following misstatements were identified:

1. Property, Plant & Equipment (PPE) additions: Our testing identified one item (with a total value of £3,295) which related to 2019/20. The invoice was dated September 2019 but not received until November 2020. The Council has therefore accounted for it in the first available period as there was no order on the ledger on which to base an accrual. We extrapolated over the residual population to assess whether any unidentified, similar items could produce a material error. The projected error of £3.14m is below performance materiality and, under IAS8, would not require amending as a prior year adjustment.
2. Revenue Expenditure Funded from Capital Under Statute (REFCUS): we sample tested the REFCUS balance of £37.1m disclosed within the Council's accounts . Of the sample of 12 items initially tested, 3 were incorrect and should not have been classified as REFCUS. We carried out further testing of an additional sample of 12 items, of which 2 were incorrect. The Council then elected to test all items within the population over £100,000 (23 items) and no further items were found to be incorrect. Due to the additional testing, we verified £25.8m out of the total £37.1m which represents 69.5% of the total population. We have extrapolated these errors across the untested REFCUS balance which results in an extrapolated difference of £5.657m. As the error of £5.657m is extrapolated, we would not request the Council to amend the financial statements. The most common reason for these errors is the Council recognised expenditure incurred on assets which are currently owned by the Council. This is against the basic principle of REFCUS recognition.
3. One factual error of £2.09m was identified, relating to recognition of REFCUS in wrong period – the expenditure occurred in 2019/20 but was recorded in 2020/21. The balance is below planning materiality and, under IAS8 would not require amending as a prior year adjustment.

Our review of journal items provided assurance that the transactions posted were adequate, supported by evidence and valid. To do this, we tested journals which debit PPE / REFCUS and credit Expense (all expense codes except capital codes) over a certain value.

Significant risk

Valuation of land and buildings and investment property - valued under Existing Use Value (EUV)/Fair Value (FV)

What is the risk?

The valuation of land, buildings and investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements. In the 2019/20 audit we identified a number of adjusted and unadjusted errors in valuation.

PPE assets valued on an EUV/FV basis totalled £215.8m in 2020/21.

Investment property assets valued on an FV basis totalled £84.277m in 2020/21.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the use of information based on areas of the economy under stress (such as retail), location factors, useful lives and estimation of year on year valuation movements.

What did we do?

In response to this risk, we undertook the following procedures:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of the work performed is adequate, they had the appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation and investments in areas of the economy under stress, such as retail. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued in line with the Council's 5 year rolling programme had been completed, and that all investment property had been revalued in year as required by the Code.

Significant risk

What did we do? (cont)

- Confirmed the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Confirmed that the entire asset base had been revalued by WHE in 2020/21, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

What are our conclusions?

We have completed the planned work above.

In total, we tested 24 PPE assets valued at EuV and 16 investment property assets valued at FV, of these 9 were reviewed by EYRE.

The following misstatements were identified and unless otherwise stated, have been adjusted in the final version of the financial statements:

1. £0.95m increase in the value of Property, Plant & Equipment due to use of incorrect rental income for one asset
2. £4.3m reduction in the value of investment property due to use of incorrect rental income for two assets and use of incorrect remaining deferred period for one asset:
   i. 282 Magdalen Road amounting to £2.8m;
   ii. 70 Queen Street amounting to £0.834m; and
   iii. Old Street amounting to £1.053m.
3. £2.047m overstatement of the valuation of the Frogmore Depot, arising from challenge of the valuation from EY's internal valuer, who believed the land value applied by the Council's valuer to be too low.
4. £1.313m overstatement of the Atheldene development site (when including capitalised expenditure subsequent to valuation), arising from challenge of the valuation from EY's internal valuer.
5. An extrapolated misstatement based on the above errors across the untested population of investment properties totalling £4.129m. As an extrapolated misstatement, this figure has not been adjusted.

Overall EYRE has identified 5 differences out of 9 properties that they have reviewed. Most differences arose because the Council's valuer uses gross yield whereas the recommended approach from RICS guidance is to use net yield. The audit team and EYRE held multiple meetings with the Council's valuer to challenge their approach. The valuer's rationale is they do not account for purchaser's cost separately, rather they use gross yield to accommodate purchaser cost. In line with recommended RICS guidance, the purchase cost should be accounted for separately and net yield should be used. We conclude that this does not have a material impact on the valuation but we recommend the Council challenges their valuer to review their approach.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties The value of land & buildings in PPE under DRC and HRA properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet and HRA notes. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets and HRA properties are inherently not subject to material uncertainty arising due to market conditions. At 31 March 2021 the value of land & buildings in PPE under DRC was £920.8m. Council dwellings valuation for 2020/21 total £1,473m.	We: • Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of the work performed is adequate, they had the appropriate professional capabilities to complete the work and the results of their work is in line with our expectations. • Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation and investments in areas of the economy under stress, such as retail. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer. • Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre). • Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using the beacon approach. • Confirmed that the valuation was undertaken to ensure all assets required to be valued in line with the Council's 5 year rolling programme had been completed. • Confirmed the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer. • Assessed those assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated. We noted the Council has valued all land and buildings and surplus assets except 7 assets with a total value of £1.2m. We are satisfied this will not lead to material misstatement of the balance. • Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation. • Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

What are our findings and conclusion?

We undertook detailed testing of a sample of 59 PPE assets and 31 HRA assets valued on a DRC basis. We found the draft financial statements did not properly reflect the valuation of Council Dwellings provided by the Council's expert valuer as the Council had omitted a number of assets from the accounting records. The valuation increased by £6.645m.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
Pension liability valuation 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 the Council. 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. 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.	We: • Obtained assurances over the information supplied to the actuary in relation to the Council and were satisfied they had been properly prepared and therefore represented a sound base for the actuaries work; • Assessed the work of the Pension Fund actuary, including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team. No concerns which may result in material misstatement were identified; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our findings and conclusion?

We were satisfied there was no evidence of material misstatement arising from the work completed above.

In response to the revised requirements of ISA540, the auditing standard on accounting estimates, we amended our audit approach based on procedures to evaluate management's process. The revised 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 modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham (BW). This confirmed there was no material misstatement arising from those estimation procedures undertaken by BW.

A triennial review of the Wandsworth Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We concluded that this subsequent event had no material impact on the disclosures within the financial statements as at 31 March 2021.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
Going Concern compliance with ISA 570 There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive. The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.	We: • Challenged management's identification of events or conditions impacting going concern. • Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). • Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow. • Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, to allow us to draw our conclusions on going concern. • Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings and conclusion?

We were satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report.

Management provided updated forecasts to support the use of the going concern assumption, together with revised disclosures in the financial statements, due to the delay in completing the audit. We have reviewed the underpinning cashflow forecasts and reserves position and we are satisfied the disclosure has been appropriately updated as at October 2023.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
Accounting for Covid-19 related grant funding The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.	We considered the Council's judgement on material grants received in relation to whether it is acting as: • Agent, where it has determined that it is acting as an intermediary; or • Principal, where the Council has determined that it is acting on its own behalf. We undertook substantive procedures to ensure that grants have been claimed and recognised in accordance with scheme rules.

What are our findings and conclusion?

We identified a misstatement which resulted in a £17.587m adjustment to move COVID-19 Additional Funding from above the line (grants credited to services) to below the line (non-ringfenced grants) to reflect the fact that the revenue is not ringfenced. We found no evidence that income had not been recognised in accordance with scheme rules.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
Expected credit loss calculation The Council's calculation of the expected credit loss model for impairment of receivables contains judgement. Understanding and reviewing the process and judgements made for this manual calculation and journal entry is key to ensuring it is not materially misstated. A revised auditing standard has been issued in respect of accounting estimates, which has led to an increase in focus on this accounting entry.	We obtained an understanding of the Council's methodology for preparing the expected credit loss model calculation for the impairment of receivables. We also corroborated and challenged those assumptions made. We reperformed the calculation, reconciling the underlying data to appropriate support.

What are our findings and conclusion?

We were satisfied the Council's calculation of the expected credit loss model for impairment of receivables is not materially misstated.

Group Audit

Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
Group audit and accounting The Council prepares a Group Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet which consolidate the accounting entries for both Winstanley and York Road Regeneration LLP and the Wandsworth Borough Council financial statements. We scoped the subsidiary as a specific scope engagement and undertook audit procedures to ensure the accounting entries had been properly prepared as part of the consolidation.	The material transactions within the Winstanley and York Road Regeneration LLP related to the funding and investment into the entity. We therefore undertook specific substantive procedures to obtain assurance over those balances material at a group level.

What are our findings and conclusion?

We are satisfied that sufficient assurance has been obtained to support those balances consolidated into the Group CIES and Balance Sheet, and that the Council had correctly accounted for the consolidation exercise.

However, we identified a misstatement in Note 29, Cash Flows – Investing Activities with a value of £32.3m. This was an adjustment in respect of the redemption of the joint venture investment, which had been incorrectly netted within investments taken out rather than gross within investments redeemed. Purchase of short-term and long-term Investments was increased by £32.3m and proceeds from short-term and long-term investments was decreased by £32.3m.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Infrastructure Assets (Applicable to Council) In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.	We: • Have reviewed the draft financial statements to identify prima facie whether the Council is recording disposals of infrastructure assets, or components. • Have made enquiries to understand management's current processes, including bringing forward our knowledge from previous year's audits. • Concluded the draft financial statement disclosures were not compliant with the Code.

What are our findings and conclusions?

Nationally, audit firms identified an issue with applying the CIFPA Code accounting treatment to infrastructure assets. Where management incur subsequent expenditure to replace part of an asset, the CIPFA Code requires management to write out the value of the old part being replaced. Across the country, most authorities have not kept sufficient detailed records of infrastructure spend to allow the value of the part being replaced to be written out. CIFPA, the Department for Levelling up, Housing and Communities (DLUHC) and other related stakeholders have been seeking a solution to this issue since it was first identified.

In response, CIPFA issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets, and DLUHC issued a Statutory Instrument (SI) (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022). Finally, a CIPFA LAAP bulletin was issued on 11 January 2023 to provide further guidance to affected local authorities.

Wandsworth Borough Council holds a material balance of infrastructure assets at 31 March 2021, totalling £170.5 million on a Gross Book Value and £99 million on a Net Book Value as per the draft financial statements. As with many other authorities, Wandsworth Borough Council does not have sufficient information to identify individual infrastructure assets and therefore identify if any subsequent expenditure on the infrastructure was the replacement of old assets. Like others, the Council's current accounting treatment is not in line with the original Code requirements.

Management prepared a paper in response to this guidance, which was provided for audit on 23 January. We are satisfied the Council's revised disclosures have appropriately accounted for infrastructure assets in accordance with the CIPFA adaption to the Code of Practice on Local Authority Accounting. We have included a recommendation within section 7 of this report to ensure the Council has appropriate records to comply with the Code once the adaption expires.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Section 106 Accounting: In preparing the 2021/22 financial statements, officers proposed a prior year adjustment relating to the 2020/21 financial statements relating to the accounting for Section 106 agreements. As we had not previously issued our audit report in respect of the 2020/21 year, we requested management make changes to the 2020/21 financial statements before they are signed by the Council, and before we issue our audit report. We requested working papers to support the Council's Section 106 transactions and balances in July 2022. We received working papers from which we could start our audit procedures on 1 February 2023, although the information provided remained incomplete and resulted in a number of audit queries. Revised working papers were provided at the end of July 2023.	We tested a sample of 26 covering £68.6m of the £91m of Section 106 contracts back to source evidence. Our testing focused on those balances held within Short-Term Creditors, and with management reclassifying any balances where required to the following areas: • Short-Term Receipts in Advance – Revenue • Short-Term Receipts in Advance – Capital • Long-Term Receipts in Advance – Revenue • Long-Term Receipts in Advance – Capital • S106 Earmarked Reserves • Capital Grants Unapplied Account The assessment performed by both us and management included obtaining and reviewing the underlying Section 106 agreements and identifying any conditions or restrictions. The presence or absence of conditions and restrictions were then used to determine the classification of the contribution. We then challenged this assessment further and the resulting accounting treatment was such that the majority of the contributions are held in reserves, being either the S106 Earmarked Reserves or Capital Grants Unapplied Account. We challenged management to also consider any impact on the earlier financial years, including 2019/20 which is included as the prior year comparatives within the 2020/21 financial statements.

What are our findings and conclusions?

Our testing found that the revised workings provided in July 2023 had correctly reclassified the Section 106 balances. The adjustments required total £94.7m in 2019/20 and £77.4m in 2020/21.

We have included a control recommendation in section 7 of this report.

03 Audit Report

Audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH BOROUGH COUNCIL

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH BOROUGH COUNCIL

Opinion

We have audited the financial statements of Wandsworth Borough Council ('the Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Balance Sheet, Authority and Group Movement in Reserves Statement, Authority and Group Cash Flow Statement and the related notes 1 to 49; the Collection Fund and the related note 1; the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 6.

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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

• give a true and fair view of the financial position of Wandsworth Borough Council and the Group as at 31 March 2021 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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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. We are independent of the Group 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Authority's ability to continue as a going concern for a period to 31 March 2025.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is

Our opinion on the financial statements

not a guarantee as to the Group and the Authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Accounts for the year 2020/21, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the Accounts for the year 2020/21.

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.

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 course of 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 themselves. 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.

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 Group and the Authority
- 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
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 14, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Group 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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Audit Report

Our opinion on the financial statements

In preparing the financial statements, the Director of Finance is responsible for assessing the Group and 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 Group and the Authority either intends to cease operations, or has 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales),
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Education Act 2002 and School Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020 and 2021,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

Audit Report

Our opinion on the financial statements

We understood how Wandsworth Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes and through enquiry of employees to confirm Authority policies. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified misstatement due to fraud and error and a risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure to be our fraud risks.

To address our fraud risk around misstatement due to fraud and error, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.

To address our fraud risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the Wandsworth Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Wandsworth Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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, the Wandsworth Borough

Audit Report

Our opinion on the financial statements

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.

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts 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 Wandsworth 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 Wandsworth Borough Council and Wandsworth 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

Date

04 Audit Differences

Audit differences

Audit differences

Management have corrected the following misstatements:

1. Infrastructure assets: as stated on page 6 and 25, the Council amended infrastructure assets in line with revised CIPFA guidance. This resulted in additional disclosures in note 14a.
2. Section 106: as stated on page 6 and 26, the Council revised their accounting treatment for Section 106 balances. This resulted in an adjustment of £77.4m in 2020/21 and £94.7m in 2019/20, impacting disclosures relating to Creditors, Grants Receipts in Advance and Reserves.
3. £6.6m increase to the valuation of Property Plant & Equipment to ensure the financial statements properly reflect the valuation of Council Dwellings provided by the Council's expert valuer.
4. £4.3m reduction in the value of Investment property due to use of incorrect rental income for two assets and use of incorrect remaining deferred period for one asset when calculating the value.
5. £0.95m increase in the value of Property, Plant & Equipment due to use of incorrect rental income for one asset (St Benedicts Day Centre).
6. £4.8m decrease in the value of investment property arising from EY's internal valuers review of the investment property asset valuations. This figure relates to three specific assets
    i. 282 Magdalen Road amounting to £2.8m;
    ii. 70 Queen Street amounting to £0.834m; and,
    iii. Old Street amounting to £1.053m.
7. £2.05m overstatement of the valuation of the Frogmore Depot, arising from challenge of the valuation from EY's internal valuer.
8. £1.3m overstatement of the Atheldene development site (when including capitalised expenditure subsequent to valuation), arising from challenge of the valuation from EY's internal valuer.
9. £18.6m adjustment to the valuation of PPE to removal of Ravenstone Primary School from the Council's Balance Sheet as it had achieved Academy status and therefore should no longer have been included.
10. £17.6m adjustment to move COVID-19 Additional Funding from above the line (grants credited to services) to below the line (non-ringfenced grants) as the revenue is not ringfenced.
11. £32.3m adjustment in respect of the redemption of the joint venture investment, which had been incorrectly netted within investments taken out rather than gross within investments redeemed. Purchase of short-term and long-term Investments was increased by £32.3m and proceeds from short-term and long-term investments was decreased by £32.3m. This adjustment only impacts Note 29, Cash Flow – Investing Activities.
12. £16.486m reclassification of the Improved Better Care Fund Grant from Net Cost of Services to Taxation and Non-Specific Grant Income.

Minor disclosure changes have been made throughout the financial statements in response to auditor queries.

This includes the Council updating disclosures relating to going concern to support the use of the going concern assumption in October 2023.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following known and projected misstatements to the financial statements and/or disclosures which were not corrected by management. We note that we do not expect extrapolated misstatements to be corrected. However, we request that the uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Reserves	CIES
Uncorrected misstatements	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit) Current period
Known differences:						
► Community Infrastructure Levy (CIL) ledger difference (see page 7)	4,240,270					(4,240,270)
Projected differences:						
► Inappropriate recognition of REFCUS expenditure (see page 15)		5,657,599				(5,657,599)
► Valuation of investment property (see page 17)		(4,129,633)			4,129,633	
Total of current year misstatements	4,240,270	1,527,966			4,129,633	(9,897,869)
Effect of turnaround items – see description below						(2,100,000)
Total	4,240,270	1,527,966				(11,997,869)

The following cut-off misstatements have been identified which do not relate to the 2020/21 period as the Council were not able to accrue for these in 2019/20 due to non availability of information. The Council has therefore recognised these amounts in the first available period, which is 2020/21;

- Revenue Expenditure Funded from Capital Under Statute (REFCUS): One factual error of £2.1m related to recognition of REFCUS in wrong period. The balance is below planning materiality and, under IAS 8, would not require amending as a prior year adjustment.
- Property, Plant & Equipment (PPE) additions: Our testing identified one item (with a total value of £3,295) which related to 2019/20. The invoice was dated September 2019 but not received until November 2020. The Council has therefore accounted for it in the first available period as there was no order on the ledger on which to base an accrual. We extrapolated over the residual population to assess whether any unidentified, similar items could produce a material error. The projected error of £3.14m is below performance materiality and, under IAS8, would not require amending as a prior year adjustment.

05 Value for Money

Value for money

The Council's responsibilities for value for money (VFM)

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.

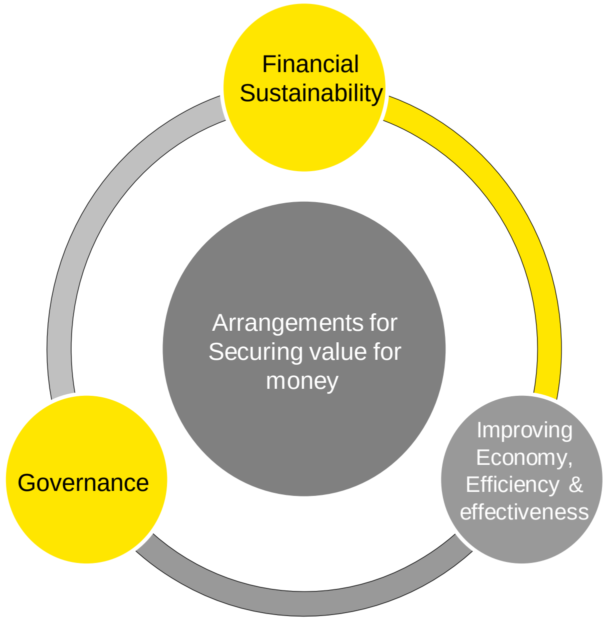
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Committee the outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing 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 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 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.

Whole of Government Accounts

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

In July 2023, the NAO's WGA group audit team confirmed they do not require any further work or submissions from component auditors on WGA returns for 2020-21.

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.

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 Council'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;
- 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

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.

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 including group-wide or at components.

We identified three recommendations to management in respect of our work on Section 106 accounting and infrastructure assets:

Recommendation	Response
Section 106: • Personnel at the Council, who have sufficient knowledge of both Section 106 agreements and the associated accounting treatment, should review the agreements to identify the relevant conditions and restrictions. • Personnel at the Council, should use these identified conditions and restrictions and the guidance set out within the CIPFA Code and associated Guidance Notes to determine the applicable accounting treatment, paying particular attention to the classification between liabilities and reserves. • Personnel should ensure that they state, and are able to support, any judgements made in making these determinations	Agreed. Full review and internal process implemented for future years.
Infrastructure Assets: • Management will need to ensure they have sufficient infrastructure and accounting records to demonstrate compliance with Code requirements upon the expiration of the Code adaption. This will include ensuring they have a detailed list of the infrastructure assets held, confirmation of their existence and ensure that both the fixed asset register and accounting records are updated.	Officers will analyse current Infrastructure Asset records and work with Highways Engineers to confirm existence, categorisation, accuracy and completeness of records held, with the aim of aligning the fixed asset module with Highways records approximately 6 months before the implementation date (i.e September 2024 for implementation from 1st April 2025). However this is reliant on detailed guidance from CIPFA being received in order to implement changes. The Council recognises there will be ongoing work to maintain synergy between both sets of records.

08 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees due for the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2022

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 2022:

EY UK 2022 Transparency Report | EY UK

Fees

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for the Department for Levelling Up, Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Scale fee 2021/22	Planned fee 2020/21	Final Proposed fee 2019/20
	£	£	£	£
PSAA Scale Fee	86,559	86,559	86,559	86,559
Total agreed fees:	86,559	86,559	86,559	86,559
2019/20 fee variation determined by PSAA (Note 1)	N/A	N/A	N/A	36,655
2020/21 PSAA expected additional minimal core fees (Note 2): • VFM • ISA 540 accounting estimates	-	N/A	10,000 to 19,000 4,400	N/A
2020/21 fee variation (Note 3)	-	-	TBC	-
Total proposed fees	TBC	86,559	TBC	123,214

All fees exclude VAT

The table sets out our expected fees for 2019/20, 2020/21 and 2021/22. However, these figures could change. The 2019/20 fee has already been submitted to the PSAA for approval. All other fees will be discussed with officers and the PSAA. Any further additional fees (over and above VFM and ISA540) for 2020/21 will be communicated to the Director of Finance following the completion of the audit.

(1) In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £61,162. We also submitted an in-year fee variation for 2019/20 of £24,128. PSAA has determined the total fee variation across both elements for 2019/20 as £36,655. We expect similar costs in nature in 2020/21 and subsequent years. However, PSAA has stated that this will need to be determined each year.

(2) In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. PSAA determined a minimum range for VFM (£10k-£19k) and a minimum amount for ISA540 (£4.4k).

(3) The additional fee for 2020/21 will be discussed with officers before being put forward for PSAA approval, following the completion of our audit. In addition to the recurrent costs noted above, we will seek additional remuneration for the work completed in relation to Section 106 adjustments, infrastructure asset accounting and those areas where errors were identified requiring additional testing.

We have not included any additional fee proposal for the 2021/22 audit at this stage. We will provide an update to the Committee when we circulate our full audit planning report.

09 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

There were no significant changes to our audit approach apart from the additional work we were required to undertake to address the requirements of the new auditing standard on accounting estimates. This primarily impacted our audit procedures on:

- The revaluation of land and buildings classified as Property, Plant and Equipment (PPE) and Investment Property (IP)
- Pension liability and asset valuation.

Appendix B

Summary of communications

Date	Nature	Summary
Every month between April and July 2021, then every 2 weeks	Meeting	The Partner and Senior Manager met with the Director of Finance, the Assistant Director and the Chief Accountant throughout the year to discuss audit planning, risks, developments and issues as they arose.
Once per week through audit visits	Meeting	The Senior Manager met with the Chief Accountant and Head of Accountancy at least once per week throughout our audit visits to pick up any high level issues, sticking points or areas of challenge.
Twice per week through audit visit	Meeting	The Senior Manager and the key members of the audit team met with the Chief Accountant, Head of Accountancy and various members of their team at least twice weekly to discuss a log of queries and issues. This included detailed discussion of testing items, progress and issued being identified.
Ad hoc through completion of audit	Meeting	We met with key members of the finance team, including the Director of Finance, the Assistant Director and the Chief Accountant, while final audit procedures were being completed.
15 March 2021 28 October 2021	Audit Committee	The Partner and Senior Manager met the Audit Committee to present the outline audit plan and audit results report.
7 March 2022	Audit Results Report	Audit Results Report was circulated documenting the completed audit with the exception of the infrastructure issue noted on page 6.
15 November 2022	Audit Committee	The Partner and Senior Manager provided a verbal progress update to the Audit Committee.
15 March 2023	Audit Committee	The Partner and Senior Manager provided a verbal progress update to the Audit Committee, and presented the Audit Results Report for the year ending 31 March 2022.
12 July 2023	Audit Committee	The Partner and Senior Manager presented a joint paper with management to the Audit Committee, outlining the status of the 2020/21 and 2021/22 audits.
October 2023	Audit Committee	The updated audit results report was shared with management, and agreed. The final version of the Audit Results Report was provided for sharing with Audit Committee members.

Appendix C

Required communications with the Audit Committee

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

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Audit 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.	Outline audit planning report (March 2021) and full audit planning report (circulated in September 2021).
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Outline audit planning report (March 2021) and full audit planning report (circulated in September 2021)
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit results report (November 2021, March 2022 and October 2023)

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the audit committee include: • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant	Outline audit planning report (March 2021) and full audit planning report (circulated in September 2021) and Audit results report (November 2021 and March 2022 and October 2023)

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements	Audit results report (November 2021 and March 2022 and October 2023)
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit results report (November 2021 and March 2022 and October 2023)
Subsequent events	• Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report (November 2021 and March 2022 and October 2023)

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit results report (November 2021 and March 2022 and October 2023)
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report (November 2021 and March 2022 and October 2023)
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence	Outline audit planning report (March 2021) and full audit planning report (circulated in September 2021) and Audit results report (November 2021 and March 2022 and October 2023)

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report (November 2021 and March 2022 and October 2023)
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the ommittee may be aware of	Audit results report (November 2021 and March 2022 and October 2023)

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit results report (November 2021 and March 2022 and October 2023)
Group Audits	• An overview of the type of work to be performed on the financial information of the components • 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 • 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 • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • 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.	Outline audit planning report (March 2021) and full audit planning report (circulated in September 2021) and Audit results report (November 2021 and March 2022 and October 2023)
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Audit results report (November 2021 and March 2022 and October 2023)
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report (November 2021 and March 2022 and October 2023)
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit results report (November 2021 and March 2022 and October 2023)

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

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 consolidated and Council financial statements of Wandsworth Borough 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 Wandsworth Borough Council as of 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 Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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

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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) 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 Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United

Management representation letter

Management Representation Letter

Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) for the Group and 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 and the effects of the conflicts and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing 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 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 Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), 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 consolidated or 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 Group or 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.

Management representation letter

Management Representation Letter

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 and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Group and Council committees, including the Finance Committee (previously the Finance, Resources and Climate Sustainability Overview and Scrutiny Committee) and the Audit 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: [list date].

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 Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.

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.

7. From the date of our last management representation letter of 8 February 2021 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 on the Group and Council financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 45 to the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 1.2 to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and 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.

Management representation letter

Management Representation Letter

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Accounts for the year 2020/21.

2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the consolidated and Council financial statements.

2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), aligned with the statements we have made in the other information or other public communications made by us.

J. Comparative information – comparative financial statements

1. In connection with your audit of the comparative consolidated and Council financial statements for the year ended 31 March 2021, we represent, to the best of our knowledge and belief, the following:

• There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the consolidated and Council financial statements for the year ended 31 March 2020 which are shown as comparative amounts in the consolidated and Council financial statements for the year ended 31 March 2021. Any differences in the comparative amounts from the amounts in the consolidated and [Council financial statements for the year ended 31 March 2020 are solely the result of reclassifications for comparative purposes.

K. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note 45 to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and Council financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that

Management representation letter

Management Representation Letter

will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

L. Reserves

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

M. 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 consolidated and Council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and Council 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, except as follows:

(1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, exami¬nations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and Council financial statements or as a basis for recording a loss contingency.

N. Purchase and Sales Commitments and Sales Terms

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the consolidated and Council financial statements.

2. At the year end, the Group and Council had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Group or Council (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).

O. 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, building and investment properties, IAS 19 pension liabilities and the NNDR appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council 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.

P. Estimates

Valuation of Land, Buildings and Investment Properties Estimate

1. We confirm that the significant judgments made in making the valuation of land, buildings and investment properties estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we

Management representation letter

Management Representation Letter

are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land, buildings and investment properties estimate.

3. We confirm that the significant assumptions used in making the valuation of land, buildings and investment properties estimate appropriately reflect our intent and ability to provide an accurate valuation of the Group and Council's land, buildings and investment properties on behalf of the entity.

4. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land, buildings and investment properties estimate.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

IAS 19 Pensions Liability Estimate

7. We confirm that the significant judgments made in making the IAS 19 pensions liability estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

8. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 pensions liability estimate.

9. We confirm that the significant assumptions used in making the IAS 19 pensions liability estimate appropriately reflect our intent and ability to provide an accurate valuation of the Group and Council's IAS 19 pension liability on behalf of the entity.

10. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

11. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 pensions liability estimate.

12. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

NNDR Appeals Provision Estimate

13. We confirm that the significant judgments made in making the NNDR appeals provision estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

14. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the NNDR appeals provision estimate.

15. We confirm that the significant assumptions used in making the NNDR appeals provision estimate appropriately reflect our intent and ability to provide an accurate valuation of the Group and Council's NNDR appeals provision on behalf of the entity.

16. We confirm that the disclosures made in the consolidated and Council

Management representation letter

Management Representation Letter

financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

17. We confirm that appropriate specialized skills or expertise has been applied in making the NNDR appeals provision estimate.

18. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

Q. 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.

Yours faithfully,

____

(Director of Finance)

____

(Chairman of the Audit Committee)

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

ey.com