



Milton Keynes Council
Final Audit results
report

Year ended 31 March 2022
28 July 2023



EY

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28 July 2023

Audit Committee
Milton Keynes City Council
Civic Offices
1 Saxon Gate East
Central Milton Keynes
MK9 3EJ

Dear Audit Committee Members

2021/22 Audit results report

We are pleased to attach our final audit results report.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Milton Keynes Council's 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 senior management. It is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

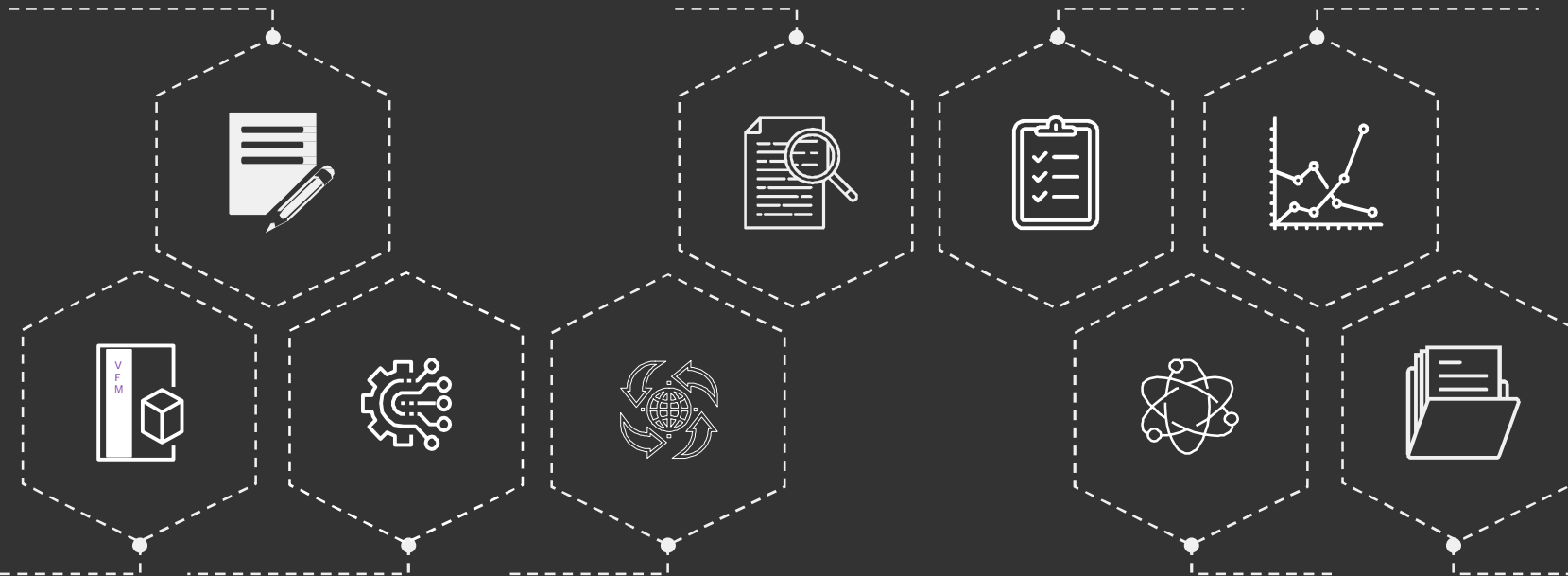
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities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

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

This report is made solely to the Audit Committee and management of Milton Keynes City 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 Milton Keynes City Council those matters we are required to state 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 Milton Keynes City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the 6 December 2022 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

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.

Status of the audit

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

[Section 03 includes our final audit report.](#)

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; and
- 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 Plan we reported that we had not completed our value for money (VFM) risk assessment. This is now completed and we have not identified any risks 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. We plan to issue the VFM commentary by the end of June as part of issuing the Auditor's Annual Report.

Audit differences

See Section 04 for further details.

There are no unadjusted differences for the Council. There is one unadjusted item from the subsidiary audit reported in section 04.

Executive Summary

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. The Council is below the threshold for full audit procedures and therefore the assurance statement is completed.

We have no other matters to report.

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Milton Keynes City 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.

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.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Please refer to Section 07 for control observations and recommendations.

Independence

Please refer to Section 08 for our update on Independence. We have no independence issues to report.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Management override
Misstatements due to fraud or error

Group

What is the risk?

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

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

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias.

What did we do?

- Identified fraud risks during the planning stages.
- 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.
- Perform mandatory procedures regardless of specifically identified fraud risks, including:
 - testing of journal entries and other adjustments in the preparation of the financial statements.
 - assessing accounting estimates for evidence of management bias; and
 - evaluating the business rationale for significant and unusual transactions.

What are our conclusions?

Our work is complete. We have not identified any:

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- any other transactions during our audit which appear unusual or

outside the Council's normal course of business.



Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure and revenue expenditure funded by capital under statute (REFCUS)

MKC

What is the risk?

As identified in ISA 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 would otherwise appear to be operating effectively.

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position.

A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

By incorrectly classifying expenditure as REFCUS, the Council could improve the reported revenue position.

What judgements are we focused on?

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts. We have focused on the Council's judgement that an item is capital expenditure in nature. If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment and REFCUS additions.

What did we do?

- Tested a sample of capital expenditure at a lower testing threshold to verify that revenue costs have not been inappropriately capitalised.
- Reviewed unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.
- Tested a sample of REFCUS items at a lower testing threshold to verify that they have been appropriately classified as REFCUS.

What are our conclusions?

Our sample testing of additions to property, plant and equipment and REFCUS is complete, we have:

- Found they had been correctly classified as capital and included at the correct value.
- Tested invoices, capital expenditure authorisations, leases and other data that support capital additions.



Areas of Audit Focus

Significant risk

Valuation of Milton Keynes Recovery Park (Waste Treatment Recycling Centre)

MKC

What is the risk?

A waste treatment recycling centre with a total carrying value of £134 million was revalued in 2021/22. Due to the significance of the value and the nature of the asset (more specialised in nature and therefore more complex to value), we have identified the valuation of this asset as a separate significant risk.

What judgements are we focused on?

Our work on the valuation of Milton Keynes Recovery Park focussed on assessing the reasonableness of the methodologies adopted by the Council's valuers in undertaking their valuation and of the key assumptions input into this valuation.

What did we do?

We have taken a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of this asset:

- We have engaged our EY valuation specialists to assess the appropriateness of the methodology and assumptions applied by the valuer for this high value asset.
- We reviewed the contract to assess whether the accounting treatment and judgements applied were consistent with the terms of the contract.
- Our experts reviewed the methodologies and assumptions of the valuers and used comparative calculations to test the reasonableness of the assumptions used to determine the value. These calculations were then used to challenge the Council's valuers in reaching a conclusion.
- We tested accounting entries to ensure that they have been correctly processed in the financial statements.
- We considered if the valuation movements in the current year are indicative of errors in the prior year.



Areas of Audit Focus

Significant risk

Valuation of Milton Keynes Recovery Park (Waste Treatment Recycling Centre)

What are our conclusions?

- We identified through testing the Waste Treatment Recycling Centre Building was overstated by £2.53m due to a mis-calculation by the valuer. The valuation has been updated to reflect this.

We are satisfied that the remaining values associated with the waste treatment recycling centre are materially correct.

As reported during the 2020/21 audit and as noted in Section 07 of the report, our internal specialist note that the valuation methodology and process adopted by Wilks Head & Eve is extremely limited in depth, with no analysis or methodology relative to RICS red book standards for such valuations. The two Specialists engaged by the Council (WHE and Hilco) adopted different overall plant construction costs. Only Hilco provided data/commentary to support the inputs adopted. These inputs should be aligned for consistency.

WHE inputs and assumptions (specifically historical costs and inflationary adjustments) are not adequately supported or consistent with the data provided regarding the wider valuation. Whilst we do not consider these to have a significant impact on the valuation outcome at the Valuation Date, this inconsistency in approach will have greater impact on the valuation in subsequent years.

Recommendation: We recommend the Council addresses these inconsistencies with WHE.



Areas of Audit Focus

Significant risk

Valuation of Council Dwellings

MKC

What is the risk?

Council Dwellings with a total carrying value of £789.5 million have undergone a full revaluation during the year. This led to a significant movement of £52.8m. Due to the significance of the value and the full revaluation, we have identified the valuation of this category of asset as a significant risk.

Misstatements that occur in relation to the valuation of market based property assets could affect the balance sheet by materially misstating the valuation of these assets; and the income and expenditure account via the impact on depreciation charges.

Amounts reported in the 2021/22 financial statements are:

Council Dwellings - £789.5m

What did we do?

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

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation.
- Tested a sample of beacon properties to ensure that the value is in line with market value.
- Reviewed assets that are not subject to valuation in 2021/22 to confirm the remaining asset base is not materially misstated;
- Considered changes to the useful economic lives as a result of the most recent valuation; and
- Tested accounting entries, ensuring these have been correctly processed in the financial statements including testing the classification of assets.
- We considered if the valuation movements in the current year are indicative of errors in the prior year.

What are our conclusions?

We have concluded our audit work in this area, and have no matters to report.



Areas of Audit Focus

Significant risk

Valuation of Property, Plant and Equipment and Investment Property

Group

What is the risk?

The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's and MKDP's accounts. MKDP also has a material balance relating to Assets Held for Sale (AHFS).

MKCC PPE and IP totalled £1 billion and £98 million respectively at 31 March 2022. There has been significant valuation movements of £40.953m (PPE) and £12.340m (IP) for MKCC. MKDP IP's also had a material valuation movement of £30.836. Due to the significance of the value and the movement, we have identified the valuation of these assets as a significant risk.

There has also been an upwards revaluation movement in MKDP AHFS of £8.807m and assets have been classified as held for sale for longer than a year. Due to the significant value of AHFS, the upwards valuation and the duration of the assets held in the class the valuation of these assets are considered a significant risk.

What did we do?

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

- Engaged our EY valuation specialists to assess the appropriateness of the methodology and assumptions applied to value the assets.
- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for Property, Plant and Equipment, and annually for Investment Property. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets that are not subject to valuation in 2021/22 to confirm the remaining asset base is not materially misstated;
- Considered changes to the useful economic lives as a result of the most recent valuation; and
- Tested accounting entries, ensuring these have been correctly processed in the financial statements including testing the classification of assets.
- We have considered if the valuation movements in the current year are indicative of errors in the prior year.

Group:

- Reviewed the valuation of assets held by Milton Keynes Development Partnership through review of the component auditor's (Hillier Hopkins) audit work.
- Engaged our EY valuation specialists and sample tested key asset information used by the valuers, to assess the appropriateness of the methodology and assumptions applied.
- Performed procedures to ensure that the audit approach for risk assessment and testing of MKDP Investment Property assets and Assets Held for Sale is in line with EY methodology and the approach for the group, and tested a sample of assets.
- Included specific questions in the group instructions to obtain an understanding of how the component auditor has addressed the risks identified by the group team.



Areas of Audit Focus

Significant risk

Valuation of Property, Plant and Equipment and Investment Property

Group

What are our conclusions?

We have identified a number of amendments through our work on Property, plant and equipment and investment property. We have agreed all amendments with the Council:

Identified by EY:

- Investment Property – Valuation of the Western Area Expansion zone (Two Mile Ash) has been revised to reflect known land sales and amendments in site area, leading to a disposal of £2.9m and a downwards valuation of £11m.
- Schools Valuation – Testing of school land values has identified errors in undeveloped and developed land apportionment, leading to an increase in land values of £5.2m.
- Emerson Valley Community Sports Pavilion – Due to a transposition error in the land area provided to the valuer, there has been a decrease in valuation of this asset of £9.6m.

Identified by the Council:

- The disposal of Watling Academy had not been correctly recorded in the draft accounts, resulting in an overstatement of the PPE balance of £37.726m. The financial statements have been updated to reflect this.
- The Council identified an increase to be applied for assets not valued in the year of £14.8m – we have undertaken our own procedures and agree this is materially correct.
- The Council identified an impairment of Crips Lodge of £4.7m.

Audit risks

Our response to significant risks

Infrastructure assets

MKC

What is the risk?

Due to the fact that insufficient information is available to appropriately derecognise components of infrastructure assets when they are replaced, there is a risk that assets that do not exist are included in accounting records. The lack of evidence led to the inclusion of a limitation of scope in our audit report in relation to infrastructure assets in our 20/21 audit report.

Infrastructure assets - £258.6m

What did we do and what are our conclusions?

CIPFA issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets and in December 2022 DLUHC issued a Statutory Instrument (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022) which allows for the infrastructure assets opening balance to be brought forward without amendment and determines the carrying amount to be derecognised in respect of replaced components to be nil.

The Council took the option to apply the statutory instrument to their 2021/22 financial statements. They have amended the presentation of infrastructure assets, included the required disclosure note and updated their accounting policy as required by the statutory instrument. We have agreed the opening balances to the prior year accounts and tested the in year movements, including additions, reclassifications and depreciation in line with our risk assessment. The Council have made an additional charge to depreciation of £4.9m for 21/22 in light of amendments to useful economic lives of infrastructure assets. No further exceptions were noted as a result of this testing.

As a result of the changes to the Code, we have also removed the Limitation of Scope issued in respect of infrastructure assets for 2020/21 in 2021/22.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Pension Liability Valuation– inherent risk

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Buckinghamshire Pension Fund.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £419 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will use EY Pensions to assess the inputs to the model used by the Council's actuary to determine whether this is reasonable.

What did we do?

We have:

- Liaised with the auditors of Buckinghamshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Milton Keynes City Council – [response has been received and no material issues to report.](#)
- Assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19;
- Considered the nature and value of level 3 investments held by Buckinghamshire Pension Fund and the proportion of the overall Fund relating to Milton Keynes City Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2022 – this will be completed once we have received a response from the auditors of Buckinghamshire Pension Fund;
- Engaged EY Pensions to review the inputs in to the actuarial model and conclude on the reasonableness for which we have no matters to report.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Pension Liability Valuation– inherent risk (continued).

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 Buckinghamshire Pension Fund.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £419 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will use EY Pensions to assess the inputs to the model used by the Council's actuary to determine whether this is reasonable.

What did we do?

We have:

- Considered information in respect of the 31 March 2022 Triennial valuation report which became available in March 2023.
- Reviewed the Council's revised IAS 19 report which takes account of the Triennial valuation.
- Agreed amendments to the accounts to reflect the revised IAS 19 report from May 2023.

We have no further matters to report.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Going concern

The economic environment, increased inflation and demand for services has created a number of financial pressures throughout Local Government. For Milton Keynes City Council there is increased financial pressure. This includes increased demands and pressures in Adult Social Care, increased pressures on the Housing Revenue Account position and a number of imminent key contract decisions.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

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

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

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

What did we do?

We:

- Reviewed, tested and challenged supporting evidence provided by management to assess the reasonableness of financial projections.
- Tested and assessed the reasonableness of the Council's cash flow forecasts.
- Audited the levels of current and proposed borrowing against the prudential borrowing limit to confirm that the Council plans to remain within that limit.
- Reviewed management's going concern assessment in the draft financial statements. We asked management to make a number of amendments and enhancements to the disclosure.
- Read the narrative report and financial statement disclosures in relation to the financial statements being prepared on a going concern basis to ensure that they were consistent with our knowledge of the Council's financial position

We are satisfied the draft going concern disclosure is an adequate reflection of management's assessment and that it remains appropriate to prepare the financial statements on a going concern basis.

Other areas of audit focus

What is the risk/area of focus?

Non-Domestic Rates Appeals Provision

NDR Appeals Provision represents a significant balance in the Council's accounts and are subject to valuation changes. Material judgemental inputs and estimation techniques are required to calculate the year-end NDR Appeals Provisions balance held in the balance sheet. The Council made a material adjustment to the 2019/20 and 2020/21 provision as a result of the prior year audit. We will review the Council's assessment under ISA 540 in respect of assumptions supporting the estimate.

Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision (MRP) to repay external debt. The legislation that underpins the calculations has been amended in recent years. This was reviewed by a specialist in the prior year. The audit team have performed detailed work in the current year.

What did we do?

We have:

- considered the work prepared in deriving the provision
- assessed the reasonableness of assumptions made by the Council.
- assessed the accuracy of source data used by the Council.
- tested accounting entries have been correctly processed in the financial statements
- Reviewed the work and reports prepared by the Council's expert

We have no matters to report.

We have:

- considered the Council's policy and calculation behind the provision
- Re-performed the Council's calculation

We have no matters to report.

Group Accounting

The Authority prepares group accounts which consolidate the financial statements of Milton Keynes Development Partnership (MKDP). MKDP statements of account contain accounting entries and balances that can be considered material or significant to the group, and we classified this as specific scope audit. As a result, we undertake a programme of work to ensure the balances from the subsidiary have been properly consolidated.

MKDP

For MKDP we requested that Hillier Hopkins LLP, as auditors of the entity, undertake a programme of work and we sought assurances from them to ensure the 2021/22 financial statements do not contain material misstatement which may arise within the consolidated financial statements.

We have received responses from Hillier Hopkins in respect of our group audit instructions. We have not identified any 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.

We have concluded our review of Hillier Hopkins work. Section 04 of the report details one unadjusted difference reported by Hillier Hopkins which must be reported to the Audit Committee and for which we will obtain management representation.

We have no further matters to report.



03 Audit Report



Audit Report

Final audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON KEYNES COUNCIL

Opinion

We have audited the financial statements of Milton Keynes Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Accounting Policies
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Movement in Reserves Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 36 and group notes 1 to 8.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, and the related notes
- Collection Fund and the related notes

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 2021/22 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 Milton Keynes Council and the Group as at 31 March 2022 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 2021/22 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.



Audit Report

Final audit report

Our opinion on the financial statements

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Resources' 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 Council's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Resources 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 not a guarantee as to the Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the Milton Keynes Council Statement of Accounts for the year 2021/22 , other than the financial statements and our auditor's report thereon. The Director of Finance and Resources is responsible for the other information contained within the Milton Keynes Council Statement of Accounts for the year 2021/22 .

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.



Audit Report

Final audit report

Our opinion on the financial statements

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 Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer 's Responsibilities, , the Director of Finance and Resources 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 2021/22 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 and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Group and the Council'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 Council 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.



Audit Report

Final audit report

Our opinion on the financial statements

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 Group and determined that the most significant are:

- Local Government Act 1972,
- School Standards and Framework Act 1998,
- 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 2022,
- National Health Service Act 2006,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Council 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

Final audit report

Our opinion on the financial statements

We understood how Milton Keynes Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management/head of internal audit/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 Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council policies, and through the inspection of employee handbooks and other information. 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 Council'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 inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Group and the Council's capitalised expenditure and revenue expenditure funded from capital under statute (REFCUS to ensure the capitalisation criteria were properly met and the expenditure was genuine].

To address our fraud risk of management override of controls, 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.

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 December 2021, as to whether the Milton Keynes 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 Milton Keynes Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.



Audit Report

Final audit report

Our opinion on the financial statements

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 Milton Keynes 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 (as amended) 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 the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Milton Keynes Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

In addition, 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 2022. 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 (as amended) 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 Milton Keynes Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

Date:



04 Audit Differences





Audit Differences

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

Summary of adjusted and unadjusted differences

Adjusted Differences:

Identified by EY:

- Investment Property – Valuation of the Western Area Expansion zone (Two Mile Ash) has been revised to reflect known land sales and amendments in site area, leading to a disposal of £2.9m and a downwards valuation of £11m.
- Schools Valuation – Testing of school land values has identified errors in undeveloped and developed land apportionment, leading to an increase in land values of £5.2m.
- Emerson Valley Community Sports Pavilion – Due to a transposition error in the land area provided to the valuer, there has been a decrease in valuation of this asset of £9.6m.
- We identified through testing that the Waste Treatment Recycling Centre Building was overstated by £2.53m due to a mis-calculation by the valuer. The valuation has been updated to reflect this.
- Depreciation – an additional charge of £4.9m has been accounted for to take account of a re-assessment of Useful Economic Lives for Infrastructure Assets.
- Testing identified tariff receipts in advance in 2021/22, but not received until 2022/23 for £2.309m.
- A reclassification between Short Term and Long Term debtors has been identified and amended of £7.8m
- Revised IAS 19 Report reflecting the Triennial Valuation reduced the pension liability by £45m.
- We have identified some smaller adjustments and amendments to the accounts that the Council have agreed to make.

Identified by the Council:

- The disposal of Watling Academy had not been correctly recorded in the draft accounts, resulting in an overstatement of the PPE balance of £37.726m. The financial statements have been updated to reflect this.
- The Council identified an increase to be applied for assets not valued in the year of £14.8m – we have undertaken our own procedures and agree this is materially correct.
- The Council identified a reclassification of £5.338m between short and long term receipts in advance.
- The Council identified an impairment of Crips Lodge of £4.7m.
- The Council identified an error in the draft accounts in respect of Housing Revenue Account Balances impacting balances by £1m in the revised financial statement balances.

As the draft financial statements did not include Group Accounts – all amendments to the subsidiary accounts have been taken into account through the revised accounts inclusive of group accounts balances.



Audit Differences

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

Summary of unadjusted difference

Unadjusted Difference:

- Following our review of the Milton Keynes Development Partnership auditors file, we identified one item above our threshold which was unadjusted. This related to a difference of opinion in the valuation of an asset (A1 Highway Block Avebury Boulevard, Central Milton Keynes) where the auditors Hillier Hopkins believed this should be higher by £673k and MKDP did not adjust.

We will seek management representation on this unadjusted item.



05

Value for Money



Value for money

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

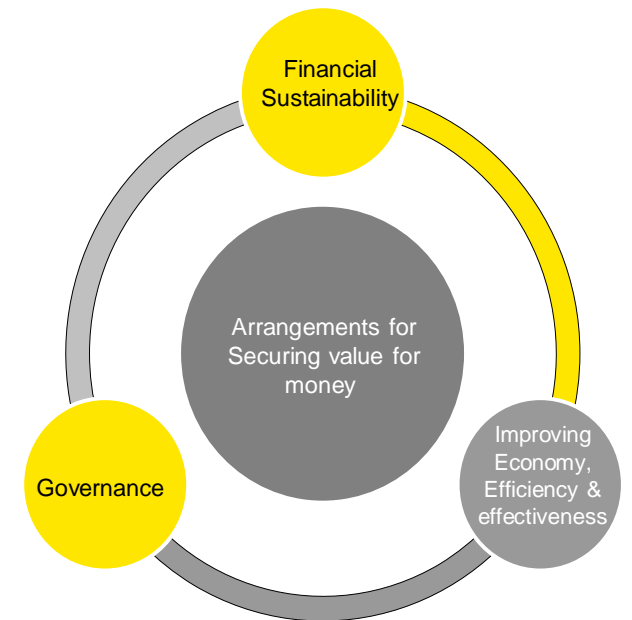
The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

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

As noted in the Executive Summary of this report, the outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements is that we have not identified any risks. We have revisited our risk assessment as part of the Conclusion of the audit and have not identified any additional risks to report to this Committee.

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report. [We plan to issue the VFM commentary by the end of October 2023 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 for the year 2021/22 with the audited financial statements

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

Financial information in the Statement of Accounts for the year 2021/22 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 on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have concluded our work in this area and have no matters to report.

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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have nothing further to report on these issues that is not contained within other sections of our 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 deficiencies in internal control and have the following recommendations:

Internal Trading/Recharges: The council uses specific general ledger codes, referred to as internal trading codes, to recharge income and expenditure between departments. Internal trading general ledger accounts did not balance during the 21/22 audit. The amount is not material, however, this could become material if adequate controls are not put in place to prevent, detect and correct journal entries that have lines both with accounts that are used for internal trading and those that are not.

Recommendation: Management should consider removing the ability to post to codes that are not internal trading within the general ledger coding structure by adding a system limitation or removing the work around. A further reconciliation should be performed to ensure that internal trading accounts net to Zero at year end and to identify any postings that have been manipulated to post outside internal trading accounts.

Management Response: Agreed, we are in the process of undertaking a review of internal trading and whilst this is being undertaken, we have put in place quarterly reviews of the internal trading codes to ensure any errors are identified and promptly corrected.

Milton Keynes Recovery Park (Waste Treatment Recycling Centre) Valuation - Building: It is noted by our internal specialists that the valuation methodology and process adopted by Wilks Head & Eve is extremely limited in depth, with no analysis or methodology relative to RICS red book standards for such valuations. The two Specialists engaged by the Council (WHE and Hilco) adopted different overall plant construction costs. Only Hilco provided data/commentary to support the inputs adopted. These inputs should be aligned for consistency.

WHE inputs and assumptions (specifically historical costs and inflationary adjustments) are not adequately supported or consistent with the data provided regarding the wider valuation. Whilst we do not consider these to have a significant impact on the valuation outcome at the Valuation Date, this inconsistency in approach will have greater impact on the valuation in subsequent years.

Recommendation: We recommend the Council addresses these inconsistencies with WHE.

Management Response: Agreed, the Council recognises this issue and will pick these up with our Property team and Valuers to ensure this doesn't happen going forward.



Assessment of Control Environment

Financial controls

Small Land Holdings not on the Fixed Asset Register: We have identified the Council owns some small land holdings which are not held on the fixed asset register. When sold the Council includes the gain/loss on disposal within the financial statements.

Recommendation: The Council should ensure land holdings are identified to ensure there is not a material understatement to asset values reported in the financial statements.

Management Response: The Finance Fixed Asset Register does not include information on assets that have historically been below de minimis or nil value assigned by the Property Team. Where a disposal has taken place and the Council have received payment, this has highlighted this issue. We will work with the Property Team to determine the most appropriate way of addressing these potential sites and how these are highlighted in the Finance Fixed Asset Register going forward.



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 2021 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 that you have paid to us in the year ended 31 March 2022 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 within the table on the next page.

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.

Fees

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

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.

Description	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee – Code work	135,338	135,338
Group	9,500	8,757
Pension Valuation	5,500	4,750
Property, Plant and Equipment Valuation	TBC	9,750
Prior Period Adjustments	TBC	3,427
Qualification and Consultation on Infrastructure and Revised Guidance Response for 21/22	8,500	8,135
Quality or Preparation Issues	7,000	7,260
VFM (incl New NAO code in 21/22)	10,000	10,022
Going Concern (inc C-19 Grants)	4,500	4,555
Increased Regulatory Challenge	32,115	6,000
Use of an Expert	8,500	8,455
ISA 540 Estimates	5,040	5,040
Other risks	TBC	5,495
Total Fee – Code Work	TBC	216,984

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

All fees exclude VAT

- (1) For 2021/22 the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards. Refer to the following slides for further detail.
- (2) Final Fee 2020/21 – this has now been determined by PSAA at the levels included in the table above. This is lower than the amount submitted and reported in the previous reports.

Appendix A

Fees (continued)

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. For an organisation such as Milton Keynes City Council the extent of audit procedures now required mean it will take approximately 2,500 hours to complete a quality audit. Your scale fee is £135,388 and our current estimate is a final fee of c£250,000.

Summary of key factors

1. Status of sector. Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
 - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
2. Audit of estimates. There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
 - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions, use of our internal specialists and increased correspondence with external specialists.
3. Regulatory environment. Other pressures come from the changing regulatory landscape and audit market dynamics:
 - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
 - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

Fees (continued)

Summary of key factors (cont'd)

4. As a result public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
 - We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
 - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.
5. The remainder of the increases are based on the audit fees approved by PSAA in 2020/21 and the fees planned to be submitted for 2021/22. When considering the additional components, we considered risks identified for the current year audit as well as efficiencies gained from our knowledge of the Council.

Other communications

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](#)

A hand is shown reaching towards a row of folders. The folders are arranged in a row, with some having papers sticking out. The hand is positioned above the second folder from the left. The background is a light-colored wall with a subtle pattern.

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

All balances have been tested substantively – there have been no changes to the approach from the prior year.

Appendix B

Summary of communications





Date 	Nature 	Summary 
6 September 2022	Meeting	The senior members of the audit team, met with the auditors of Hillier Hopkins to discuss the operations of MKDP, audit risks identified by Hillier Hopkins, Group Instructions and the planned timetable for the 21/22 audit.
18 November 2022	Meeting	The partner in charge of the engagement and senior members of the audit team, met with the management team to obtain an update on the Council's position, risks, status of the audit to date and audit timetable.
6 December 2022	Report	The partner in charge of the engagement presented the Audit Plan to the Audit Committee, including confirmation of independence.
12 December 2022	Meeting	The partner in charge of the engagement and senior members of the audit team, met with the management team to discuss the status of the audit and the timetable.
10 January 2023	Meeting	The partner in charge of the engagement and senior members of the audit team, met with the management team to discuss the status of the audit and the timetable.
9 February 2023	Meeting	The partner in charge of the engagement and senior members of the audit team, met with the management team to discuss the status of the audit, the Council's response and timetable for infrastructure and the plan to report to the 7 March 2023 Audit Committee.
28 February 2023	Report	The audit results report, including confirmation of independence, was issued to the audit committee.
7 March 2023	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the audit results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

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:

		 Our Reporting to you
Required communications	 What is reported?	  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.	Audit planning report 6 December 2022 Audit Committee
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.	Audit planning report 6 December 2022 Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report 7 March 2023 Audit Committee Audit results report July 2023

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> • 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 	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty 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 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Misstatements	<ul style="list-style-type: none"> • 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 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>


Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> • 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: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report 6 December 2022 Audit Committee</p> <p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	 When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Group Audits	<ul style="list-style-type: none"> 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. 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	<p>Audit results report 7 March 2023 Audit Committee</p> <p>Audit results report July 2023</p>
Auditor's Annual Report	<ul style="list-style-type: none"> Reporting of our Value For Money Commentary 	<p>Auditor's Annual Report Expected October 2023</p>

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Milton Keynes City Council ("the Group and Council") for the year ended 31 March 2022. 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 Milton Keynes City Council as of 31 March 2022 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 2021/22.

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 2021/22.
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 2021/22 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 Kingdom 2021/22 for the Group and 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.

Management representation letter

Management Rep Letter

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 Rep 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 can related sanction in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Group and Council, and committees (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 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 (2) 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 [X] to the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Going Concern

1. The Accounting Policies a) General Principles 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 Rep Letter

F. Subsequent Events

1. Other than described in Note 9 to the consolidated and Council financial statements, 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. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst 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 Narrative Report and Annual Governance Statement.
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, including the impact resulting from the commitments made by the Group and Council/Authority, 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 applicable financial reporting framework, aligned with the statements we have made in the other information or other public communications made by us.

J. Ownership of Assets

1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and [Council/Authority]'s assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).
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 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.

Management representation letter

Management Rep Letter

K. Reserves

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

L. 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).

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, examinations 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.

M. Use of the Work of a Specialist

When the Group or Council has used the work of a specialist, we may include the following representation:

We agree with the findings of the specialists that we engaged to evaluate the property, plant and equipment valuation, investment property valuation, the valuation of the IAS 19 pension actuarial liabilities and NDR appeals provisions 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.

N. Estimates

Valuation of Property, Plant and Equipment and Investment Property (including recycling centre)

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting 2021/22.
2. We confirm that the significant judgments made in making the estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
3. We confirm that the significant assumptions used in the valuation of property, plant and equipment appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity.

Management representation letter

Management Rep Letter

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimate.

6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events.

Valuation of IAS 19 Pension Liability

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting 2021/22.

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

3. We confirm that the significant assumptions used in the valuation of IAS19 pension liabilities appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimate.

6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events.

O. 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,

Chief Financial Officer

Chairman of the Audit Committee

EY | Assurance | Tax | Transactions | Advisory

About EY

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ED None

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