

Three Rivers District Council DRAFT Audit results report

Year ended 31 March 2020
July 2022



18 July 2022



Dear Audit Committee Members

We have substantially completed our audit of Three Rivers District Council for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form that appears in section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This 2019/20 audit has been significantly delayed. This has been a challenging couple of years and the Council has had to deal with a much wider range of issues and so has not been able to prioritise the completion of the audit as they would have hoped to. We are keen to get the Council back on track and are already agreeing plans for the 2020/21 audit with your key officers to ensure a timely completion.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 26 July 2022.

Yours faithfully

Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This 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 (updated April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



01

Executive Summary



Scope update

In our audit planning report tabled at the 24 March 2020 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, with the following exceptions:

Changes to reporting timescales

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

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

- **Valuation of land and buildings in PPE and IP** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
- **Disclosures on Going Concern** – Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- **Adoption of IFRS16** – The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2024. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes in materiality

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £1,040k, with performance materiality, at 75% of overall materiality, of £779k, and a threshold for reporting misstatements of £51.9k. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £946,260 (Audit Planning Report – £1,040k). This results in updated performance materiality, at 75% of overall materiality, of £709,695, and an updated threshold for reporting misstatements of £47,313.

Scope update

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 Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee in Section 6.

Status of the audit

We have substantially completed our audit of Three Rivers District Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the outstanding matters set out in appendix B we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

1. Final amendments to plant, property and equipment, Investment Properties, and also surplus assets;
2. Review of the lease disclosure;
3. Final amendments to the accounting of the South Oxhey initiative lease;
4. Final amendments to Minimum Revenue Provision (MRP);
5. Extension of Going Concern assessment to cover period 12 months after reporting date;
6. Final manager and Partner review of audit file;
7. Receipt and review of the final version of the financial statements;
8. Completion of subsequent events review;
9. Receipt of the signed management representation letter.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

We highlight the following misstatements greater than £0.709m which have been corrected by management that were identified during the course of our audit :

- £2.16m understatement of pension liability and remeasurement of pension liability
- £4.68m reclassification between Assets Under Construction and Property Plant and Equipment Land and Buildings (PPE L&B) in relation to the South Oxhey Leisure Centre that is incomplete.
- £2.35m overvaluation of FY19/20 PPE L&B due to unallocated capital expenditure
- £3m reclassification from long term to short term borrowings.
- £14.389m overstatement of LT debtors and also deferred income, in relation to "Phase Price" expected to be received for the South Oxhey initiative lease

Note that as audit work is ongoing there will be more entries into the summary of adjusted (and unadjusted) differences than noted above. In particular there are entries that are currently not yet quantified. We discuss this in greater detail in Section 4.



Areas of audit focus

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

Audit findings and conclusions: Significant risk - Incorrect accounting for manual accruals - risk of fraud in revenue and expenditure recognition

We have not identified any material misstatements arising from fraud in revenue and expenditure recognition and the incorrect accounting for manual accruals.

Audit findings and conclusions: Significant risk - Valuation of Land and Buildings.

We have identified a number of issues around the valuations and classifications of PPE, IP, and surplus assets. We have also noted that rent to mortgage properties have been incorrectly classified as LT debtors when they are operational PPE. These misstatements also relate to prior year and prior period adjustment has been made. The work has not concluded and therefore a final misstatement figure is not yet available. We will discuss the details of the misstatements in the following section.

Audit findings and conclusions : Area of audit focus - Going concern and Covid-19

We have not identified any issues regarding going concern.

Audit findings and conclusions : Area of audit focus - Valuation of Pension Fund Assets and Liabilities

The actuary Hyman Robersons LLP had provided a first draft of the IAS 19 report that management has posted onto the draft accounts. The actuary has subsequently provided a revised IAS 19 report taking into account changes in pension asset valuations, and also the McCloud ruling (a court case relating to age discrimination in LGPS), with revised pension assets and pension liabilities figures. The revision from the revised IAS 19 report is a credit (decrease) in pension liability by £1.7m, a debit in the remeasurement of pension liability by £1.6m, and a debit to net cost of services by £159k that relates to the McCloud ruling.

Our Pensions expert has noted that the £159k adjustment relating to the McCloud ruling should have been debited to remeasurement to defined pension liability instead of NCOS, and therefore a reclassification adjustment of £159k is needed.

In addition to the above findings, differences were identified in net pension asset testing by the PF auditor. The share of TRDC misstatement is an understatement of pension asset (or overstatement of net pension liability) of £452k by management.

In 2022 the actuary has further noted that an error had been made in pooling assumptions for TRDC and have re-run the IAS 19 report again. The net impact is a further increase in pension liability by £1,069k, from £14,798k to £15,867k.

Audit findings and conclusions : Area of audit focus - Valuation of NDR Appeals Provision

We have not identified any material misstatements arising from the valuation of the non-domestic rates appeals provision.



Areas of audit focus

Audit findings and conclusions : Area of audit focus – New Areas of High Value Activity

In our planning we have had an area of audit focus around new areas of high value activity, including the accounting for the new South Oxhey Leisure Centre, loan to Thrive Homes of £8m, and also a planned income strip deal and housing joint venture by TRDC.

We note that the South Oxhey Leisure Centre had been incorrectly classified in land and buildings. The £4.7m should have been classified as assets under construction (AUC).

The loan to Thrive Homes of £8m has been tested as part of our borrowings work with no issues noted.

The income strip deal for a new lease and housing joint venture have not taken place in FY19/20 and therefore does not affect the FY19/20 accounts.

No other issues noted.

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

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

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



Executive Summary

Control observations

We have identified a number of control deficiencies around the estimation of MRP, lack of review of capital accounting, lack of review of the underlying data used for L&B, investment properties, and surplus asset valuations, and lack of review of the accounts. We have discussed these in greater detail in Section 7.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. 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. We had no issues to report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.



02

Areas of Audit Focus



Significant risk

Incorrect accounting for manual accruals - risk of fraud in revenue and expenditure recognition

What is the risk?

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

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 financial position.

A key way of improving the revenue position is through inappropriate timing or measurement of estimates, manual accruals around the year end being a typical estimate that could be affected.

What judgements are we focused on?

Correctness of recognition of manual accruals within accounting periods.

What did we do?

We focused on our journals testing strategy around the year-end period, with a particular focus on those manual entries that impact income and expenditure.

Where there was any management estimation or assumptions involved in the calculation of year end accruals we ensured that the rationale provided by management was appropriate and clearly documented on file via minutes of conversations held by management.

In addition to the focused review of manual accruals, our work was part of a suite of mandatory procedures performed regardless of specifically identified fraud risks. This included:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Assessing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant unusual transactions.

To support our work on mandatory procedures, we utilised our data analytics capabilities to assist with our work, including carrying out testing on the income and expenditure accounts and journal entry testing.

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

Significant risk

Valuation of Land and Buildings in PPE and IP

What is the risk?

Land and Buildings within Property, Plant and Equipment were valued at £67.0m at 31 March 2020 and Investment Properties were valued at £11.2m as at that date. These represent significant balances in Three Rivers District Council's accounts and will be subject to valuation changes. Management is required to provide material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What judgements are we focused on?

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.

Following the Covid-19 outbreak in March 2020, there is potential for significant impact on the estimations and assumptions applied to asset valuations with qualified valuers reporting 'material uncertainty' within valuation reports.

This is particularly relevant for Fair Value / Market Value based assets because of the paucity of market information available at 31 March upon which to give those valuations.

What did we do?

We have:

- Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Used our real estate specialists and together with the audit team, 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 changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries to ensure they have been correctly processed in the financial statements.
- Reviewed the Authority's assessment of valuations carried out to assess the material accuracy of the values reported as at the 31/03/2020;
- Assessed the Authority's asset base by type of asset and valuation methodology, as the impact of Covid-19 on valuations is likely to be more significant for assets valued at fair value on the basis of data from market transactions; and
- Ensured the appropriate disclosure has been made in the accounts concerning any material uncertainty relating to year end valuations.

Significant risk - Valuation of Land and Buildings in PPE, IP and surplus assets (Continued)

What are our conclusions?

We have identified a number of issues in our property valuations testing:

1. There are discrepancies identified in the underlying data used in the valuation calculations by the valuer and supporting evidence. Work is ongoing to quantify the impact of this misstatement.
2. Incorrect assumptions have been made by the valuer in valuation of DRC assets where build costs have not been included. 19/20 impact is £2.8m overstatement.
3. Incorrect yields have been used by valuer to estimate EUV assets. 19/20 impact is £0.2m overstatement of asset valuation.
4. There are unallocated capital expenditure in additions to land and building, which may lead to double counting in carrying value when asset is next valued. The 19/20 misstatement is £2.5m overstatement of L&B.
5. Incorrect classification of incomplete wing in South Oxhey Leisure Centre as PPE when it should be AUC. Net impact in 19/20 is £4.7m.
6. Operational L&B in PPE are valued nine months in arrear, and should be indexed to reflect YE balance at 31/03/2020. Operational L&B not valued in year should also be indexed to reflect YE 31/03/2020 balance.
7. There are a number of misclassifications between PPE asset classes. Work is ongoing to quantify the impact of this misstatement.
8. There is also a misclassification of Rent to Mortgage properties as long term debtors when they should be plant, property and equipment. The 19/20 impact is £1.5m increase to L&B in PPE and £1.5m decrease to LT Debtors.
9. The lease relating to the South Oxhey initiative has been incorrectly accounted for as inventory, and is reclassified back to investment properties before the commencement of the lease, and surplus assets on commencement of the lease. Work is ongoing by management valuer to determine the fair value of the SO initiative as at 31/03/2020.

Note that the work for valuation of L&B in PPE, IP and surplus assets is ongoing so the final amendment figures are to be finalised. Also note that misstatements around capital expenditure, indexation of L&B valuations, misclassification of PPE assets, of the rent to mortgage properties, and also of the SO initiative are likely to have material prior year impact and therefore warrants a prior year adjustment. We are currently working with management on these adjustments.

Other areas of audit focus

Going Concern and Covid-19 (higher inherent risk)

What is the risk?

Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. This results in significant judgement to conclude whether events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Authority's ability to continue as a going concern. This judgement will determine the appropriate disclosures to be made in the financial statements, which will be reflected in the audit report.

There is presumption that the Council will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Council revenue as a result of Covid-19 emphasises the need for the Council to undertake a detailed going concern assessment to support its assertion.

What judgements are we focused on?

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

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 states 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 Authority's assessment will also need to cover this period.

Other areas of audit focus (Going concern – continued)

What did we do?

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

We reviewed the going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We considered whether the necessary disclosures had been included regarding any material uncertainties that do exist.

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

Our audit procedures to review these included consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting;
- Sensitivities and stress testing; and
- Challenge of management's assessment, by thorough testing of the supporting evidence and consideration of the risk of management bias.

What are our conclusions?

We have reviewed the disclosures and supporting assessment, and we have gone through our professional consultation process to confirm whether or not we intend to issue an EOM. We are satisfied that the accounts are produced correctly on a going concern process and there is no need for an emphasis of matter due to Covid-19.



Other areas of audit focus

Valuation of Pension Fund Assets and Liabilities (higher inherent risk)

What is the risk?

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

Three Rivers District Council's pension fund assets and liabilities are material estimated balances and the Code requires that the liability be disclosed on the Council's balance sheet. At 31 March 2020 the net liability was valued at £16.3m.

Asset and Liability values that make up the net liability amount of £16.3m is derived from information issued to the Council by the actuary to Hertfordshire County Council and will again involve significant estimation and judgement.

What judgements are we focused on?

We have focused on the assumptions made in the estimation of the pension assets and pension liabilities. We have also reviewed the underlying data used by the actuary for the valuation of the pension assets and pension liabilities.

What did we do?

We have:

- Liaised with the auditors of Hertfordshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Three Rivers District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used; and
- Reviewed and tested the accounting entries and disclosures made within Three Rivers District Council's financial statements in relation to IAS19.

What are our conclusions?

The actuary Hymans Roberson LLP had provided a first draft of the IAS 19 report that management has posted onto the draft accounts. The actuary has subsequently provided a revised IAS 19 report taking into account changes in pension asset valuations, and also the McCloud ruling (a court case relating to age discrimination in LGPS), with revised pension assets and pension liabilities figures. The revision from the revised IAS 19 report is a credit (decrease) in pension liability by £1.7m, a debit in the remeasurement of pension liability by £1.6m, and a debit to net cost of services by £159k that relates to the McCloud ruling.

Our Pensions expert has noted that the £159k adjustment relating to the McCloud ruling should have been debited to remeasurement to defined pension liability instead of NCOS, and therefore a reclassification adjustment of £159k is needed.

In addition to the above findings, differences were identified in net pension asset testing by the PF auditor. The share of TRDC misstatement is an understatement of pension asset (or overstatement of net pension liability) of £452k by management.

In 2022 the actuary has further noted that an error had been made in pooling assumptions for TRDC and have re-run the IAS 19 report again. The net impact is a further increase in pension liability by £1,069k, from £14,798k to £15,867k.

The net impact is £2.16m understatement of pension liability and remeasurement of pension liability. These misstatements have been adjusted by management.

Other areas of audit focus

Valuation of NDR Appeals Provision (higher inherent risk)

What is the risk?

The valuation of NDR appeals provision is a high value estimate, with complex calculations. This means that there could be a material misstatement in the accounts if this has been calculated incorrectly.

Three Rivers District Council's NNDR Appeal Provision was valued at £0.9m at 31 March 2020 where the main risk is around understatement of the provision. This is a high value estimate driven by complex calculations.

What judgements are we focused on?

Management employs a specialist, Inform-CPI (Analyse Local) to estimate the NDR appeals provision. We have focused on the assumptions used by Inform-CPI for the estimation, as well as the underlying data provided by the Council to Inform-CPI to estimate the NDR appeals provision.

What did we do?

We have:

- Considered the work performed by Inform, including the scope of the work, data provided to Inform and assumptions used; and
- Compared the level of appeals at 31 March 2019 and 31 March 2020 to assess the reasonableness of amounts provided for at year end.

What are our conclusions?

Our testing has not identified any material misstatements of the non-domestic rate appeals provision.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

Other areas of audit focus

New Areas of High Value Activity (higher inherent risk)

What is the risk?

New high value transactions streams are expected to emerge during 2019/20. For example, some £6M will be spent on construction of a new leisure centre at South Oxhey and a development loan of some £8M will be made to Thrive Homes Ltd.

Accounting for both transactions is expected to be relatively straightforward but because the values involved are high, any differences could be potentially material to the financial statements.

What judgements are we focused on?

We have not yet reviewed the timing and detail behind these transactions so we will consider this assessment and our work required as we review the information in more detail.

More complicated business changes with more complicated accounting impacts are expected to emerge in 2020/21. The Authority is planning to embark on an income strip deal (valued at £5M) and may also enter a joint venture with a housing association to start a new development scheme.

What did we do?

As part of our procedures for 2019/20, we have reviewed the proposed accounting for the new leisure centre and the loan to Thrive Homes and their proposed presentation on the Narrative Statement and Statement of Accounts.

We have sought to walk through the accounting treatment for both initiatives.

We have monitored progress with the planned income strip deal and housing joint venture over the course of this year's audit, with a view to being able to engage with accounting impacts in the following year effectively. We have remained alert to any impacts for reporting Events After the Balance Sheet Date in the Notes to the 2019/20 Accounts.

What are our conclusions?

South Oxhey Leisure Centre had been incorrectly classified in land and buildings. The £4.7m should have been classified as assets under construction (AUC).

The loan to Thrive Homes of £8m has been tested as part of our borrowings work with no issues noted.

The income strip deal for a new lease and housing joint venture have not taken place in FY19/20 and therefore does not affect the FY19/20 accounts.

No other issues noted.

Other areas of audit (South Oxhey initiative)

The issue and what did we do?

South Oxhey Initiative

The South Oxhey Initiative (SO initiative) is a £150 million mixed use regeneration project being promoted by Three Rivers District Council (TRDC) in partnership with developers, Countryside Properties Ltd and Home Group. The scheme has started in 2016, and expected to end in 2023.

The land required by this project (and the buildings that lie on it) was part owned by TRDC and accounted for as investment properties (IP). TRDC has also acquired the remainder land that it doesn't own by compulsory purchase order (CPO). The land is then leased over in phases to the developer (Countryside properties UK).

The land and buildings prior to the SO initiative being agreed should have been accounted for as IP. When the SO initiative is agreed with the developer, the land and building owned by TRDC should be reclassified from investment properties to surplus assets, as these are being held for transfer to the developer. Also any new acquisitions should also be classified as surplus assets. When the various lease phases commence, the surplus assets belonging to each phase should be disposed of from the balance sheet, and a corresponding finance lease asset should be recognised.

The SO initiative has been incorrectly accounted for in the current year and prior year, where the entirety of the IP had been written off and the land being reclassified as inventory. The land relating to the SO initiative amounts to £15.7m within inventory in FY19/20 and is therefore material to the accounts. As the misstatement has occurred from the prior years and is material, a prior year adjustment is required to amend the accounts.

There is also a extra layer of complication in that the SO initiative land has been accounted for as inventory in the accounts for the past few years and therefore have not been included in the valuation exercise by the external valuer. To ensure that the correct fair value is being used for the adjustments management is currently in contact with the external valuer Avison Young.

Furthermore, management has previously recorded a long term debtor, and also Deferred Income based on "Phase Price" expected to be received for the lease (£14.389m net). We consider this to be incorrect as developer has option to discontinue with further phases if there is a breach (e.g. failure of TRDC to acquire land).

Other areas of audit (Minimum revenue provision)

The issue and what did we do?

Minimum Revenue Provision (MRP)

Three Rivers District Council are required, under the 2003 Local Government Act, to charge Minimum Revenue Provision (MRP) to its revenue account in each financial year. In calculating a prudent provision, local authorities are required to have regard to statutory guidance issued periodically by MHCLG.

MHCLG consider that the methods of making prudent provision include the options set out in its guidance but does not rule out or preclude a local authority from using alternative methods of making prudent provision should it decide that is more appropriate.

However the current guidance clearly states a charge to a revenue account for MRP can only be £nil if a local authority's CFR was nil or negative on the last day of the preceding financial year; or a local authority chooses to offset a previous year's overpayment against the current year's prudent provision. As at 31 March 2019 the Council has a brought forward capital financing requirement of £17.1 million. In 2019/20 the draft accounts had a £nil MRP charge which is a divergence from the guidance.

We are currently working with management to determine a prudent MRP amount for FY19/20.



03

Audit Report



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE RIVERS DISTRICT COUNCIL

Opinion

We have audited the financial statements of Three Rivers District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 40; and
- Collection Fund and the related notes CF1 and CF2.

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

In our opinion the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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



Audit Report (continued)

Our opinion on the financial statements

Other information

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

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.



Audit Report (continued)

Our opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 1, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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



Audit Report (continued)

Our opinion on the financial statements

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

Certificate

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

Use of our report

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

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
26 July 2022



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 differences

We highlight the following misstatements greater than £0.709m which have been corrected by management that were identified during the course of our audit :

- £2.16m understatement of pension liability and remeasurement of pension liability
- £4.68m reclassification between AUC and PPE (L&B) in relation to the South Oxhey Leisure Centre that is incomplete.
- £2.35m overvaluation of FY19/20 L&B in PPE due to unallocated capital expenditure
- £3m reclassification from long term to short term borrowings.
- £14.389m overstatement of LT debtors and also deferred income, in relation to “Phase Price” expected to be received for the South Oxhey initiative lease

Note that as audit work is ongoing there will be more entries into the summary of adjusted (and unadjusted) differences than noted above. In particular there are entries that are currently not yet quantified including:

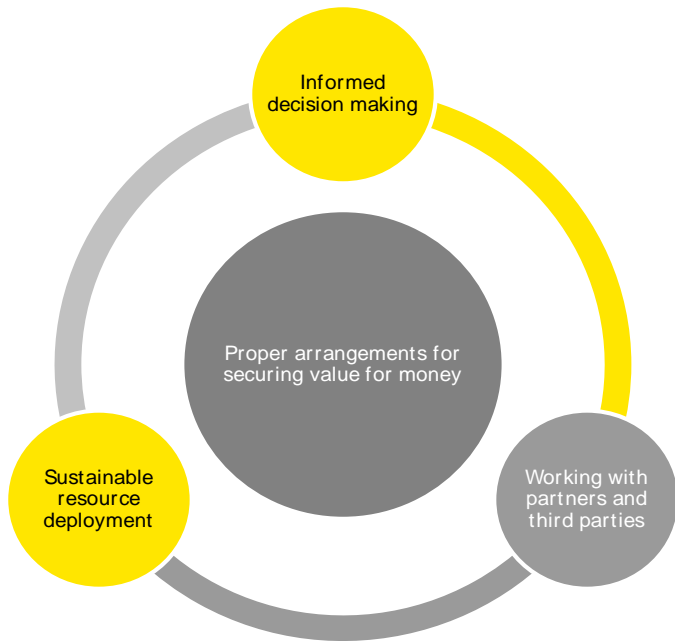
- Current year and prior year adjustments to PPE (L&B), IP and surplus asset classification and valuations;
- Current year and prior year adjustments to accounting for the SO initiative;
- Quantification of the current year MRP;
- Adjustments to the lease disclosure

There will also be adjustments to other notes associated with the adjustments above.



05

Value for Money



Background

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

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

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

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

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

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

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19.

This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We did not identify any significant risks around these criteria.

We therefore had no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



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 Annual Governance Statement 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 Annual Governance Statement 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. Our work was still subject to Manager and Partner review at the time of writing this 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 not yet completed our work in this area and will report any matters arising to the Audit Committee.

Other powers and duties

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

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Three Rivers District Council’s financial reporting process. At the time of writing this report, there were no matters to report.



07

Assessment of Control Environment

Financial controls

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

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

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

MRP Record Keeping

The decision on what is prudent is for the Council to make; however a lack of MRP despite a CFR of £17.1 million is out of line of the Prudential Code and not prudent.

Fixed Assets

Lack of review of capital accounting

We have identified the following deficiencies in internal control in our test of fixed assets, including property, plant and equipment and investment properties. We note that there is a lack of review of capital accounting, and in our testing we have identified a number of issues around the classification of fixed assets and valuations of land and buildings.

Plant, property and equipment

For plant, property and equipment, there are issues around incorrect classification, valuation, and lack of capital expenditure allocation. There is incorrect classification amongst asset classes in L&B of PPE. We also note that rent to mortgage properties that should be classified as L&B in PPE have been incorrectly classified as long term debtors. We recommend that management reviews the fixed asset register in detail, document their rationalisation, and retain supporting evidence for their classification of assets.

Also plant, property and equipment are not valued to year end 31st March 2020. Management operates a 5-year rolling cycle for valuation and assets are valued nine months in arrear. In other words for the year ended 31st March 2020, land and buildings are valued as at 31st December 2019. For assets not revalued in year the prior year valuation is used. As a recommendation management should pro-rate the land and buildings using an index to reflect their valuation as at year end 31st March 2020.

Financial controls

There is also a lack of capital expenditure allocation of land and buildings. This will lead to the double counting of asset value, as an unallocated capital expenditure and also included within the valuation by the management specialist of the whole asset. We therefore recommend that management allocates its capital expenditure on land and buildings annually. Management should also document their rationale on allocation, and for new assets not requiring allocation this should also be clearly documented. As plant, property and equipment are valued by the management specialist one year in arrear, the capital allocation for land and buildings should also be one year in arrear.

Investment properties

Similar issues have been identified in investment properties with respect incorrect capital expenditure allocation. However as investment properties are valued annually at year end these are not affected by the indexation issue.

Lack of review of underlying data used for valuations work

We have also noted that the underlying submitted by management to the valuer for valuations estimation did not reconcile with supporting evidence. We recommend that management reviews the accuracy of base data before providing this to the specialist for valuations.

Other disclosures

Lack of management review of accounts

We note that there are a number of other misstatements in disclosures identified within the accounts. These include arithmetic errors and also non-compliance to the CIPFA disclosure requirements. We recommend that management performs a thorough review of the accounts and completes the CIPFA disclosure checklist, as well as make reference to the CIPFA guidance notes when preparing the accounts.

It should be noted though that significant improvements have been made by management in recent months during the audit for these areas.



Financial controls

To summarise, we recommend that the Council's key finance officers:

1. Reconsider the current MRP policy to ensure it is not overly aggressive whilst remaining prudent;
2. Review the fixed asset register in detail, documenting their rationalisation, and retain supporting evidence for their classification of assets.
3. Pro-rate land and buildings not valued at year end 31st March through the use of indices to reflect valuation at Balance Sheet date.
4. Review the allocation of capital expenditure for land and buildings, investment properties, and surplus assets annually.
5. Review the accuracy of underlying data before providing this to the specialist for valuations.
6. Perform a thorough review of the accounts and completes the CIPFA disclosure checklist, as well as make reference to the CIPFA guidance notes when preparing the accounts.



08

Data Analytics



Data analytics

Analytics Driven Audit

Data analytics

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

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

In 2019/20, our use of these analysers in the authority's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

Journal Entry Analysis

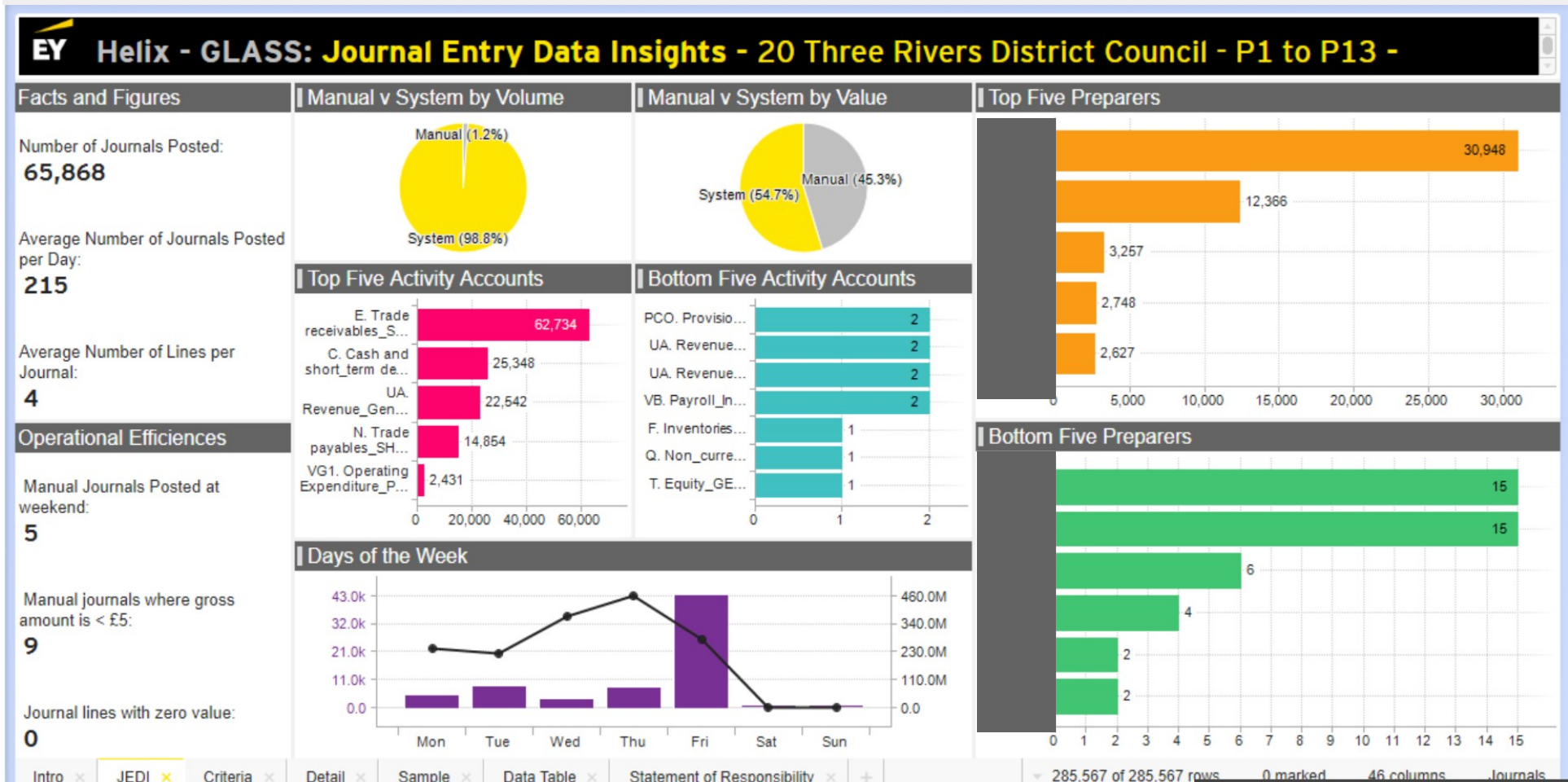
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions,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



Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2019/20. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.



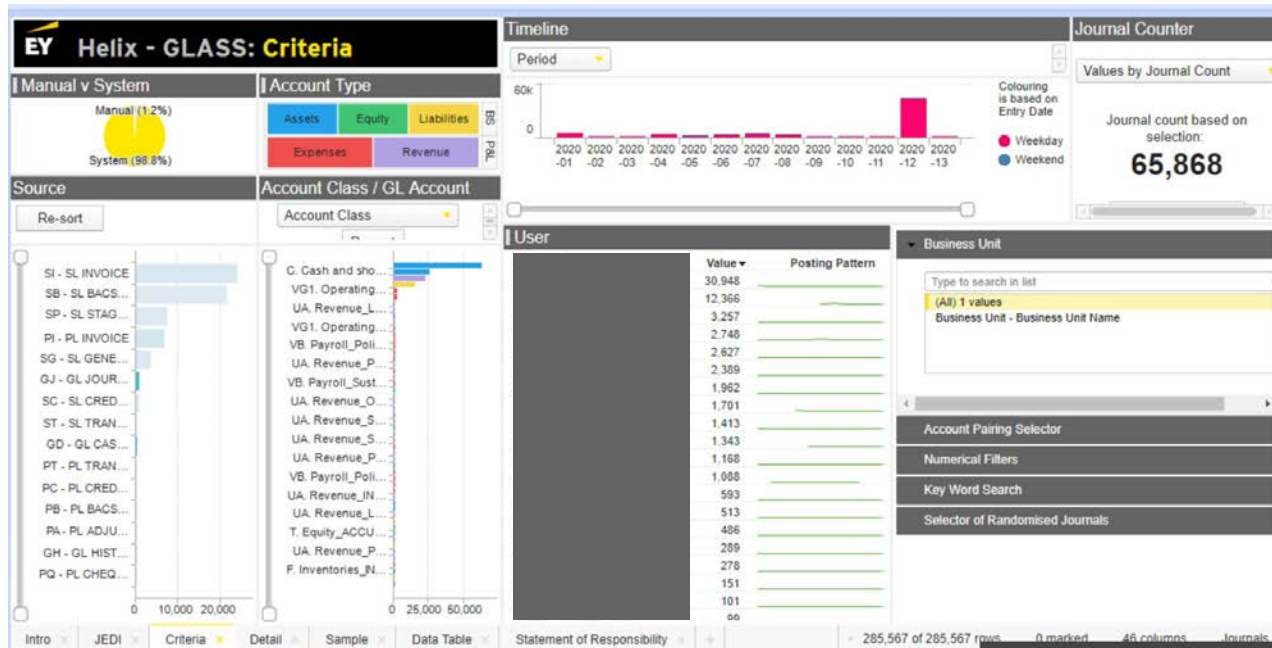


Journal Entry Testing

What is the risk?

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

Journal entry data criteria – 31 March 2020



What judgements are we focused on?

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

What did we do?

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

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

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 24th March 2020.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 26th July 2022.

We confirm we have not undertaken non-audit work outside the NAO Code requirements other than certification of HB grant claims.

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1st April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The following page of this report includes a summary of the fees that you have paid to us in the year ended 31st March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

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.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Overview and Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Overview and Audit Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2021

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 ended 1 July 2021 and can be found here:

[EY UK 2021 Transparency Report | EY UK](#)

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020. We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have complied with Auditor Guidance Note 1 issued by the NAO.

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2019/20 accounts of opted-in principal local government and police bodies.

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. A breakdown of our fees is shown below.

	Planned fee 2019/20	Final Fee 2018/19
	£'s	£'s
Current Scale Fee – Code work	35,084	35,084
Increase in scale fee/scale fee variation	Note 1 & 2	0
Total fees (excl. VAT)	TBC	35,084

As reporting in our Audit Plan, the agreed fee presented is based on a number assumptions which include the timing of agreed deliverables being met; unqualified financial statement opinion and VfM conclusion; and quality documentation being provided and controls being effective.

If any of these assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance before submission to the PSAA for approval.

For 2019/20, the scale fee will be impacted by a range of factors (see following pages) which will result in additional work. We will continue to discuss the impact of these factors with management and the impact on the final fee.

These factors were also reported in a national letter issued by EY to Chief Financial Officers and Chair of Audit Committees in February 2020. The External Audit engagement lead has had a discussion with the Authority's Chief Financial Officer on the implications of these factors on our assessment of your baseline fee to deliver a sustainable high-quality external audit.

Our assessment is that the scale fee for Three Rivers District Council should be increased from £35,084 to £53,224 based on an expected number of 324 hours at mixed grades. This assessment is before considering the implications of COVID-19 on our audit procedures.

Note 1 – The proposed increase reflects the increased risk and complexity facing all public sector bodies, adjusted for our knowledge and risk assessment for this Authority as well as the changes and incremental increase in regulatory standards. We have also adjusted the baseline fee to reflect our current assessment of the Authority's readiness for audit, including data analytics, quality of working papers. The proposed increase in the baseline fee is relatively consistent with other councils of a similar size, risk profile and complexity that EY audits.

Note 2 – The impact of Covid-19 on the audit and VfM conclusion will also impact the work that is required to be done. As we near the conclusion of the audit, we will be in a position to quantify the impact of these additional procedures and where we propose a variation to the Authority's scale fee.

On both points, we will continue to discuss and share with the Chief Financial Officer our assessment of the audit fees required to safeguard audit quality and our professional standards.

We intend to report to PSAA at this stage our assessment of the changes required to the baseline fee from £35,084 to £53,224. In doing so, we will notify PSAA whether the Authority agree, partially agree or do not agree with our assessment. PSAA are ultimately responsible for determining the scale fee and any variations to it.

Fees (continued)

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity.

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 and use of our internal 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.

Next steps

- In light of recent communication from PSAA, we have quantified the impact on page 46 of the above to be able to accurately re-assess what the baseline fee is for the Authority should be in the current environment.



10

Appendices

Audit approach update

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




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

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

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Trade payables	Substantively tested all relevant assertions	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Tangible fixed assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Cash	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change




Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Final amendments to plant, property and equipment and Investment Properties	Capex allocation should be one year in arrear for L&B in PPE, in line with the valuation schedule. Management has allocated capex in year rather than one year in arrear and they are to resolve issue around incorrect timing of capex allocation	EY and management
Review of the lease disclosure	Management will need to provide updated lease schedule and also lease disclosure as first draft of workings did not tie back to supporting evidence. EY will need to review the revised lease schedule and also lease disclosure.	EY and management
Final amendments to the accounting of the South Oxhey initiative lease	<p>Management, in conjunction with the external valuer, will have to determine the fair value of the various phases of the SO initiative for PY 2017/18, PY 2018/19, and CY 2019/20. Management will also have to determine the value of the finance lease asset for each lease phase.</p> <p>Management will then have to reclassify these assets as IP, surplus assets or finance lease assets dependent on timings of the development plan.</p> <p>EY will then test for the revised accounting treatment of the SO initiative.</p>	EY and management
Final amendments to Minimum Revenue Provision (MRP)	Management will need to estimate a prudent MRP for the FY19/20 accounts.	EY and management
Extension of Going Concern assessment to cover period 12 months after reporting date	Going concern assessment has to cover period 12 months after reporting date. Management to provide updated cash flow forecast to September 2023 for EY to update Going Concern assessment.	EY and management
Final manager and Partner review of audit file	EY to complete review of all final areas of the work and raise any final queries.	EY and management

Outstanding matters





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





Item 	Actions to resolve 	Responsibility 
Receipt and review of the final version of the financial statements;	Review of the final draft set of statements to ensure all amendments have been made correctly. The final draft has been received on the date of this report.	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Audit & Governance Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern, directors' remuneration and impairment sensitivities] remain to be finalised and audited.





Required communications with the Audit Committee

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

 Our Reporting to you		
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
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
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

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report
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. 	Audit results report
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 Authority • 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 Authority, 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. 	Audit results report

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 Authority 	Audit results report
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>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report and Audit results report</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
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. 	We have received all requested confirmations
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 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Audit results report

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report
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 	Audit results report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report and Audit Results Report

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Maria Grindley
Ernst & Young
Apex Plaza
Forbury Road
Reading, RG1 1YE

Dear Maria,

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

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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:

Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
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 financial statements taken as a whole. **We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].**

Management representation letter (continued)

Management Rep Letter

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the 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 Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council 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 Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

Management representation letter (continued)

Management Rep Letter

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

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

7. From 30 July 2019, the date of our last management representation letter, through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 36 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

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

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.

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

G. Going Concern

1. Note 40 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Management representation letter (continued)

Management Rep Letter

H. Use of the Work of a Specialist

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

I. Retirement benefits

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



Yours faithfully,

(Director of Finance)

(Chair of the Audit Committee)

Regulatory update

There have been a number of regulatory developments for 2020/21. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

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

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