

# Worthing Borough Council Audit results report

Year ended 31 Month 2024

24 February 2025



Building a Better  
working world



Worthing Borough Council  
Joint Audit & Governance Committee  
c/o Worthing Town Hall  
Chapel Road  
Worthing  
West Sussex  
BN11 1HA

24 February 2025

Dear Joint Audit and Governance Committee Members

2023/24 Audit results report

We are pleased to attach our final audit results report.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Worthing Borough Council accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Joint Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Joint Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 2022/23 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover local government audit. Due to the prior year disclaimer we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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

Yours faithfully

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



# 01

# Executive Summary



# Executive Summary

## Context for the audit - measures to address local audit system delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting profession
- ▶ Increased complexity of reporting requirements within the sector
- ▶ Lack of capacity within audit firms with public sector experience
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.



# Executive Summary (cont'd)

## Scope update

In our Audit Planning Report presented at the May 2024 Joint Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality:** In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.575 million. This was based on prior year gross expenditure on provision of services. We have now calculated this using year end figures and our revised materiality level is £1.582 million. The basis of our assessment has remained consistent at 2% of gross expenditure on provision of services. This results in updated performance materiality, at 75% of overall materiality, of £1.187 million, and an updated threshold for reporting misstatements of £0.079 million.

## Status of the audit

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

## Value for Money

In our Audit Planning Report dated 28 May 2024, we reported that we had completed our value for money (VFM) risk assessment, and we had identified no risks of significant weaknesses in arrangements. Having updated our risk assessment at the execution phase of the audit we continued to identify no risks of significant weakness in the Council's VFM Arrangements. See Section 03 of the report for further details.



# Executive Summary (cont'd)

## Expected modifications to the audit report

As reported in our 08 November 2024 Audit Completion Report to Those Charged with Governance, we issued a disclaimed audit report on the Authority's 2022/23 financial statements under the Government's legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2022/23 disclaimed audit report were set out in the aforementioned 2022/23 Audit Completion Report.

For our 2023/24 audit we have been able to complete our planned programme of work, obtaining the planned assurances over closing balances and in-year transactions. Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

However, as a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

This is in line with the Government's legislative arrangements set out above and specifically the 'Recovery phase' of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their 'Accessible Guide' which sets out a minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements.

We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.





# Executive Summary (cont'd)

## Audit differences

From the council's financial statements presented for audit we have identified the following corrected audit differences, which we are required to report to you:

- ▶ Our investment properties valuation testing identified a total difference of £12.368 million in judgment between the EY valuation specialist and the Council's specialist valuer, which suggests that the valuation of the asset is overstated.
- ▶ Our PPE valuation testing identified a total difference of £1.730 million in judgment between the EY valuation specialist and the Council's specialist valuer, which suggests that the valuation of the asset is overstated.
- ▶ We have noted that the Council incorrectly treated the land site as an operational asset before transferring it to assets held for sale. We challenged this with management, which resulted in an understatement of £7.745 million.
- ▶ We identified a misstatement in the pensions liability valuation resulting from management not considering the asset ceiling in the initial draft financial statements. This oversight has led to an incorrect valuation of the pensions liability in the financial statements, suggesting that the valuation of the pensions liability is understated by £47.079 million.
- ▶ Our creditors and debtors existence testing identified an invoice that has been incorrectly recorded twice as part of creditors and once as part of debtors. This error has resulted in the overstatement of both debtors and creditors by £2.034 million.
- ▶ We identified a misstatement in business rates where cash received in March 2024, meant for April 2024, was incorrectly recognised in 2023/24 as reducing business rates in arrears. It should have been recorded as cash received in advance. This resulted in an understatement of £0.161 million in both creditors (receipt in advance) and debtors (business rates in arrears) for 2023/24.
- ▶ We identified a misstatement related to debtors (business rates in arrears) where the amount recorded in the General Ledger (GL) is understated compared to the academy system report. This discrepancy indicates that the business rates in arrears in the financial statements is understated by £0.411 million.
- ▶ We identified three reconciling balances totaling 0.335 million recorded as cash received in 2023/24, but actually received in 2024/25. This resulted in an overstatement of cash and bank balances and an understatement of debtors in the 2023/24 financial statements.
- ▶ Our audit work has also identified a number of disclosure misstatements, which will be corrected in the financial statements.

The following uncorrected misstatements exist within the financial statements:

- ▶ Our PPE indexation valuation testing identified a total difference of £0.416 million in judgment due to the incorrect application of the index rate advised by the management specialist in the leisure centre (Wet) and theatre, which suggests that the valuation of the asset is overstated.
- ▶ We were notified by the West Sussex Pension Fund auditor that due to the final valuation report for the Pension Fund assets being delayed, there is a difference between the year end asset valuation in the Actuary's report and the valuation considered appropriate by EY. Worthing Borough Council's share of this difference totaled £0.628 million.
- ▶ We identified a misstatement in the debtors' balance resulting from the listing not reconciling to the financial statements. This discrepancy indicates that the debtors' balance is overstated by £0.486 million in the financial statements.
- ▶ We identified a misstatement in business rates where cash received in March 2023, meant for April 2023, was incorrectly recognised in 2022/23 period as reducing business rates in arrears. It should have been recorded as cash received in advance. This resulted in an understatement of £0.418 million in both creditors (receipt in advance) and debtors (business rates in arrears) for 2022/23.



# Executive Summary (cont'd)

## Other Reporting Issues

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2023/24. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2023/24 on which our work is based.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest or issue statutory recommendations under Schedule 7.

We received an objection to the 2022/23 accounts from members of the public. We determined that the objection was not eligible as it was received outside of the 30 day inspection period, but we did consider the matters raised as information provided to the auditor for both the 2022/23 and 2023/24 audits. We are satisfied this does not impact on our reporting responsibilities for the 2023/24 audit.

Further details are included in Section 7 of this report.

# Executive Summary (cont'd)

## Areas of audit focus

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

Risk/area of focus	Risk identified	What are our findings?
Misstatement due to fraud or error	Fraud risk	Our work in this area is complete. We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud Risk	We have completed our audit procedures in response to this risk and identified no evidence of material misstatement due to incorrect capitalisation of revenue expenditure from our testing of Property, Plant & Equipment and Investment Properties additions or testing of Revenue Expenditure Funded from Capital Under Statute.
Valuation of Investment Properties under Fair Value	Significant risk	We employed our own expert, EY Real Estate, to support the work related to the valuation of Investment Properties. EY Real Estate reviewed four properties, which all four were outside their expected range by £7.716 million. From our local team work, we tested an additional eight properties, five of which fall outside our expected ranges by £4.651 million. Management has adjusted this misstatement in the final statement of accounts. Further details are set out in Sections 2 and 5 of this report.
Valuation of Land and Buildings valued at existing use value (EUUV) or Fair Value (FV)	Inherent risk	We employed our own expert, EY Real Estate, to support the work related to the valuation of Land and Buildings valued at Existing Use Value (EUUV) or Fair Value (FV). EY Real Estate reviewed one property, which is outside their expected ranges by £1.308 million. From our local work, we tested an additional four properties, one of which fall outside our expected ranges by £0.0052 million. We have also noted that the Council incorrectly treated the land site as an operational asset before transferring it to assets held for sale. We challenged this with management, which resulted in an understatement of £7.745 million. Management has adjusted these misstatements in the final statement of accounts. Further details are set out in Sections 2 and 5 of this report.
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	Inherent risk	We have completed our audit procedures in response to this risk, including testing a sample of land and building assets valued on a Depreciated Replacement Cost (DRC) basis. No evidence of material misstatement was identified from those assets tested.
Pension Liability Valuation	Inherent risk	We completed our audit procedures in response to this risk and identified a material error due to management not including the asset ceiling in the initial draft financial statements. This oversight has led to an incorrect valuation of the pensions liability in the financial statements, suggesting that the valuation of the net pensions value is understated by £47.079 million. Management has adjusted this misstatement in the final statement of accounts.



# Executive Summary (cont'd)

## Control observations

We wish to bring the following other matter to your attention and have made recommendations in relation to this in section 6:

During the audit, we identified an observation and improvement recommendation regarding management's financial processes and controls. Specifically, we encountered difficulties in obtaining detailed debtor and creditor listings of outstanding balances at year-end, which should be readily available supporting the balances within the Council's financial statements.

## Independence

Please refer to Section 08 for our update on Independence. There are no issues which we believe impact our independence and objectivity



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## Areas of Audit Focus

# Areas of Audit Focus

## Misstatement due to fraud or error

### Fraud Risk

#### What is the risk, and the key judgements and estimates?

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

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

We identify and respond to this fraud risk on every audit engagement.

#### What are our conclusions

Based on our work undertaken as of the date of this report, we have not identified any material weaknesses in controls or evidence of management override, instances of inappropriate judgments being applied, or any other transactions during our audit which appear unusual or outside the Council's normal course of business.

Our testing of key accounting estimates and judgments did not identify any evidence of management bias.

## Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- ▶ Identified fraud risks during the planning stages of our audit;
- ▶ Made inquiries of management about risks of fraud and the controls put in place to address those risks;
- ▶ Obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions);
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determined an appropriate strategy to address those identified risks of fraud;
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- ▶ Undertook procedures to identify significant unusual transactions and concluded there was no evidence of material misstatement due to fraud or error arising from them; and
- ▶ Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

#### What else did we do?

As part of our risk evaluation, we considered the need to perform other audit procedures not referred to above. We concluded that those procedures included under the 'risk of Inappropriate capitalisation of revenue expenditure' were required. See the following page for the results of work in this area.

# Areas of Audit Focus (cont'd)

## Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

Fraud Risk

### What is the risk, and the key judgements and estimates?

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. We focused on the Council's judgements exercised in determining whether expenditure is capital in nature, and therefore, appropriate to be capitalised rather than charged to the Comprehensive Income and Expenditure Statement.

### What are our conclusions

We concluded that there was no evidence of material misstatement arising from the sample of PPE and IP additions and REFCUS recorded within the financial statements.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- ▶ Tested a sample of Property, Plant and Equipment (PPE) and Investment Properties (IP) additions to ensure that the expenditure incurred and capitalised was capital in nature;
- ▶ Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred;
- ▶ Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use;
- ▶ Tested Revenue Expenditure Funded from Capital Under Statute (REFCUS), to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources; and
- ▶ Identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

### What else did we do?

We used our data analytics tools to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE or IP or from revenue to capital codes on the general ledger at the end of the year.

# Areas of Audit Focus (cont'd)

## Valuation of Investment Properties under Fair Value

 Significant risk

### What is the risk, and the key judgements and estimates?

The values of Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The valuation is reliant upon expert valuation based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

### What else did we do?

Our testing followed a fully substantive approach and considered the judgments and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Real Estate expert to support our audit procedures. We determined that it was necessary to employ our expert to support the work related to the valuation of Investment Properties.

### What are our conclusions

The Council revalued all 20 investment properties in 2023/24. We sample tested twelve investment properties.

We employed our own expert, EY Real Estate, to support the work related to the valuation of Investment Properties. EY Real Estate reviewed four properties, which all four were outside their expected range by a total of £7.716 million. From our local team's work, we tested an additional eight properties, five of which fall outside our expected ranges by a total of £4.651 million. Management has adjusted this misstatement in the final statement of accounts.

**Recommendation 1:** We noted that the valuation methodology continues to use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this to be in line with open market practice. We recommend that the Council engage their Property & Investment Manager to timely review the valuation report from their specialist valuer and to continue challenging this approach when taken by their specialist valuer.

With the exception of the above, the Council's valuer based the valuations on appropriate data, employed appropriate assumptions and judgments in the valuation methodology, and the resultant valuations were correctly reflected in the financial statements.

## Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Tested a sample of key asset information used by the valuers in performing their valuation (e.g. rent market price, yield assumptions);
- ▶ Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code; and
- ▶ Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



# Areas of Audit Focus (cont'd)

## Valuation of Land and Buildings valued at existing use value (EUV) or Fair Value (FV)

 Inherent risk

### What is the risk, and the key judgements and estimates?

The values of Land and Buildings (L&B) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The valuation is reliant upon expert valuation based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

### What else did we do?

Our testing followed a fully substantive approach and considered the judgments and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Real Estate expert to support our audit procedures. We determined that it was necessary to employ our expert to support the work related to the valuation of Land and Buildings valued at EUV or FV.

### What are our conclusions

The Council revalued 34 Land and Buildings valued at EUV or FV in 2023/24. We sample tested five assets.

We employed our own expert, EY Real Estate, to support the work related to the valuation of Land and Buildings valued at EUV or FV. EY Real Estate reviewed one property, which is outside their expected ranges by £1.308 million. From our internal work, we tested an additional four properties, one of which fall outside our expected ranges by £0.0052 million. Management has adjusted this misstatement in the final statement of accounts.

We have also noted that the Council incorrectly treated the land site as an operational asset before transferring it to assets held for sale. We challenged this with management, which resulted in an understatement of £7.745 million. Management has adjusted this misstatement in the final statement of accounts.

With the exception of the above, the Council's valuer based the valuations on appropriate data, employed appropriate assumptions and judgments in the valuation methodology, and the resultant valuations were correctly reflected in the financial statements.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Tested a sample of key asset information used by the valuers in performing their valuation (e.g. rent market price, yield assumptions);
- ▶ Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5-year rolling programme as required by the Code for PPE had been Completed;
- ▶ Reviewed assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

# Areas of Audit Focus (cont'd)

## Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

 Inherent risk

### What is the risk, and the key judgements and estimates?

The value of land and buildings in PPE under DRC represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Due to the specialised nature of these assets there is insufficient availability of market-based evidence to assist the valuation, therefore, Management is required to make material judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet.

The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

### What are our conclusions

The Council revalued 3 Land and Buildings valued at DRC in 2023/24. We sample tested one asset.

We have completed our audit procedures in response to this risk, and no material audit differences have been identified from our work.

The Council's valuer based the valuations on appropriate data, employed appropriate assumptions and judgments in the valuation methodology, and the resultant valuations were correctly reflected in the financial statements.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- ▶ Tested a sample of key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5-year rolling programme as required by the Code for PPE had been Completed;
- ▶ Reviewed assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

### What else did we do?

Our testing followed a fully substantive approach and considered the judgments and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Real Estate expert to support our audit procedures. We did not determine that it was necessary to employ our expert to support the work related to the valuation of Land and Buildings valued at DRC.

# Areas of Audit Focus (cont'd)

## Pension Liability Valuation

### Inherent risk

#### What is the risk, and the key judgements and estimates?

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

The Council's pension fund deficit is a material estimated balance, and the Code requires that this liability be disclosed on the Council's balance sheet

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

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

#### What are our conclusions

We completed our audit procedures in response to this risk and are satisfied that the revised valuation of the Council's disclosures in respect of the Pension Liability Valuation is materially accurate.

We identified a material error due to management not including the asset ceiling in the initial draft financial statements. This oversight has led to an incorrect valuation of the net pension liability in the financial statements, suggesting that the net pension value is understated by £47.079 million. Management has adjusted this misstatement in the final statement of accounts.

Also, we were notified by the West Sussex Pension Fund auditor that due to the final valuation report for the Pension Fund assets being delayed, there is a difference between the year end asset valuation in the Actuary's report and the valuation considered appropriate by EY. Worthing Borough Council's share of this difference totaled £0.628 million. Management did not adjust this misstatement in the final statement of accounts.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- ▶ Liaised with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority;
- ▶ Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

#### What else did we do?

We considered outturn information available at the time we undertook our work after production of the Authority's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.



# 03 Value for Money

# Value for Money

## The Authority's responsibilities for value for money (VFM)

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

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

## Risk assessment and status of our work

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

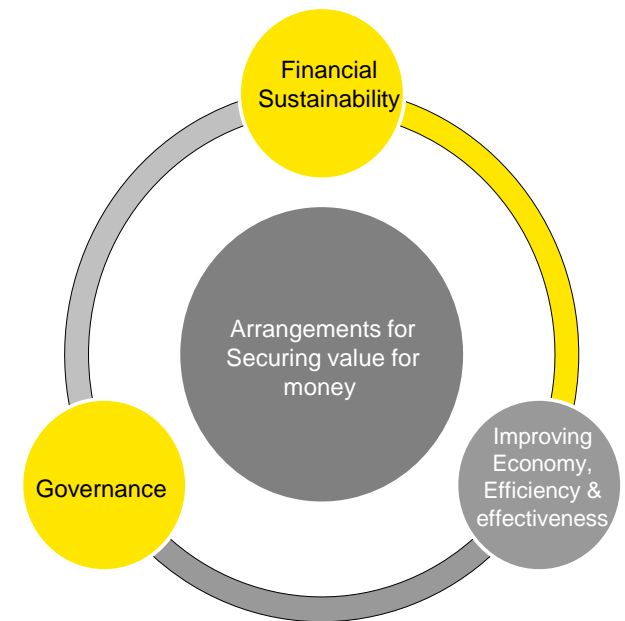
We will provide a commentary on the Council arrangements against three reporting criteria:

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

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements.

It has come to our attention that a council is seeking financial help from the government because of budget shortfalls caused by homelessness support. We will consider financial resilience and sustainability in the 2024/25 VFM in relation to this.

We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report, which we expect to issue in March 2025.





# 04 Audit Report

# Audit Report

Draft disclaimed audit report

Our opinion on the financial statements

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

### Disclaimer of Opinion

We were engaged to audit the financial statements of Worthing Borough Council ('the Council') for the year ended 31 March 2024. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 42 including material accounting policy information and
- Collection Fund and the related notes 1 to 5

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 28 November 2024.

Our audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the disclaimer of opinion in the prior year and the scope of our audit work which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' and heritage assets that were not revalued in year.
- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet
- in the cash flow statement and accompanying note: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet
- in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance

Therefore, we are disclaiming our opinion on the financial statements.

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)

# Audit Report (cont'd)

## Draft disclaimed audit report

### Our opinion on the financial statements

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

#### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 31, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts 2023/2024, 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, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Council 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 responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council 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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### 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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Worthing Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Worthing Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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 the Worthing Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



# Audit Report (cont'd)

Draft disclaimed audit report

Our opinion on the financial statements

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Worthing Borough Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to the members of Worthing Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton

24 February 2025



# 05 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 £79,136 that were identified during the course of our audit. Management has adjusted this misstatement in the final statement of accounts:

- ▶ Our investment properties valuation testing identified a total difference of £12.368 million in judgment between the EY valuation specialist and the Council's specialist valuer, which suggests that the valuation of the asset is overstated.
- ▶ Our PPE valuation testing identified a total difference of £1.730 million in judgment between the EY valuation specialist and the Council's specialist valuer, which suggests that the valuation of the asset is overstated.
- ▶ we have noted that the Council incorrectly treated the land site as an operational asset before transferring it to assets held for sale. We challenged this with management, which resulted in an understatement of £7.745 million.
- ▶ We identified a misstatement in the pensions liability valuation resulting from management not including the asset ceiling in the initial draft financial statements. This oversight has led to an incorrect valuation of the net pensions liability in the financial statements, suggesting that the pensions value is understated by £47.079 million. We expect management to adjust this misstatement.
- ▶ Our creditors and debtors' existence testing identified an invoice that has been incorrectly recorded twice as part of creditors and once as part of debtors. This error has resulted in the overstatement of both debtors and creditors by £2.034 million.
- ▶ We identified a misstatement in business rates where cash received in March 2024, meant for April 2024, was incorrectly recognised in 2023/24 as reducing business rates in arrears. It should have been recorded as cash received in advance. This resulted in an understatement of £0.161 million in both creditors (receipt in advance) and debtors (business rates in arrears) for 2023/24.
- ▶ We identified a misstatement related to debtors (business rates in arrears) where the amount recorded in the General Ledger (GL) is understated compared to the academy system report. This discrepancy indicates that the business rates in arrears in the financial statements is understated by £0.411 million. We expect management to adjust this misstatement.
- ▶ We identified three reconciling balances totaling 0.335 million recorded as cash received in 2023/24, but actually received in 2024/25. This resulted in an overstatement of cash and bank balances and an understatement of debtors in the 2023/24 financial statements.
- ▶ Disclosure misstatements have also been identified and corrected within the financial statements.

Uncorrected misstatements are shown on the next slide.

# Audit Differences (cont'd)

## Summary of adjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Joint Audit and Governance Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Joint Audit and Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 2023/24 (Currency'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
<b>Errors</b>						
<b>Known differences:</b>						
<b>Judgemental differences:</b>						
▶ Valuation difference arising on PPE Leisure Centre (Wet) - Incorrect index rate	(£416,984)			£416,984		
▶ Valuation difference arising on Pension Liability	£628,433					(£628,433)
<b>Factual differences:</b>						
▶ We identified a misstatement in business rates where cash received in March 2023, meant for April 2023, was incorrectly recognised in 2022/23			£418,614		(£418,614)	
▶ We identified a misstatement in the debtors' balance resulting from the listing not reconciling to the financial statements.						
▶ Joint existence £183,779		£486,443				
▶ Worthing existence £302,663			(486,443)			
Cumulative effect of uncorrected misstatements	£211,449	£486,443	(£67,829)	£416,984	(£418,614)	(£628,433)



06

# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies in internal control.

We have identified the following weakness in internal control, which we do not consider to be a significant deficiency, as well as continued scope for improvement in some areas based on our work undertaken to the date of this report.

### Preparation of Debtors and Creditors Listings at Year-End

As part of our audit testing of debtors and creditors, we experienced significant difficulties in obtaining breakdowns of debtors and creditors balances, showing the outstanding amount at 31<sup>st</sup> March 2024. In some instances, transaction reports were provided showing transactions posted during the financial year as opposed to outstanding balances at year-end. These challenges have resulted in considerable delays and inefficiencies, impacting the overall audit timeline and resource allocation. When listings cannot be provided, or are not provided on a timely basis, this can require additional or alternative procedures to be performed which exceeds those initially planned.

**Recommendation 2:** The Council should ensure that breakdowns of debtor and creditor balances outstanding at year-end are readily available and support the outstanding position as opposed to in-year movements.



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## 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 Worthing Borough Council Statement of Accounts 2023/24 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 Worthing Borough Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

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

## Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest or issue statutory recommendations under Schedule 7.

We received an objection to the 2022/23 accounts from members of the public. We determined that the objection was not eligible as it was received outside of the 30 day inspection period, but we did consider the matters raised as information provided to the auditor for both the 2022/23 and 2023/24 audits. We are satisfied this does not impact on our reporting responsibilities for the 2023/24 audit. We set out the issue and our judgement on the next page.



# Other Reporting Issues

## Other powers and duties (continued)

### Strategic Property Investment Fund Issues

During the year we were contacted by a member of the public raising concerns regarding the Council's Strategic Property Investment Fund (SPIF). We categorised those concerns into 4 themes:

- ▶ Performance of the SPIF in the accounts is misleading;
- ▶ Debt to income ratios;
- ▶ Value compared to original purchase price; and
- ▶ Lack of management control or accountability, including councillors.

Through our audit of the Council's Statement of Accounts we have concluded that the Council has complied with the disclosure requirements of the CIPFA Code of Practice on Local Authority Accounting. The transactions for income and expenditure relating to the Council's investment properties are presented, as required, within Note 14 to the accounts. The valuations as at the 31 March 2024 are presented on the balance sheet, and within Note 14 to the accounts. Within our valuation of investment properties, we have identified a few properties that fall outside of reasonable ranges. Further details are set out in Sections 2 and 5 of this report.

The document summarising the Council's arrangements within the year was the report to the Joint Audit and Governance Committee of March 2024 (for onward decision making at the JSC), which demonstrates communication to, and decision making by, member. The report includes a summary of the current portfolio activities in the current and next financial year, and sections including diversification, risk management and financial impact.

The purpose of the fund is for income generation and not capital appreciation, and while the risk of market fluctuation is recognised, the SPIF management activities focus more predominantly on the income. The Council is not unaware of the risk of capital values diminishing, and the operational management activities include obtaining an annual value for the statement of accounts, and ongoing review by the Property and Investment Team. This team are supplemented by a contract with Savills for the day-to-day operational management.

Risk management is undertaken, in general, through the Council's risks and opportunities framework. The SPIF is not included on the Corporate Risks but is identified within the service risks. We reviewed the documentation of the Council supporting the most recent purchase during 22/23 at Worthing Borough Council (using Worthing because the arrangements are the same for both Adur and Worthing Councils) and determined that the principles outlined within the Commercial Property Investment Strategy had been followed.

Through our work the one area noted that could be improved was the reporting against the objective of the fund, as stated within the March 2024 report to the JAGC, which sets out the current aim of an average net return of 1%, over the assumed hold period, after all costs and expenses including principal and interest debt repayment. We could not identify that this was being annually collated and reported, including to Members, which in our view would be an improvement.

In our judgement the Council is appropriately aware of the risk of managing an investment portfolio, and we can identify changes made to their arrangements over time since the inception of the Property Investment Portfolio in 2015 that indicate a view to continued improvement and risk management. There is always inherent risk in any investment portfolio, which this is property investment or any other form of financial investment. The Council recognises this cannot be removed but can only be managed.

In our judgement the Council has sufficient arrangements in place regarding the SPIF, and this did not present a risk of significant weakness.

# Other Reporting Issues (cont'd)

## Other matters

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

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

We have one issue to bring to your attention around the Council's arrangements for the adoption of the financial reporting standard IFRS 16 Leases which we consider to be a qualitative weakness in the Council's financial reporting arrangements. IFRS 16 will become effective for the local authorities for the 2024/25 financial year. At the point of writing:

- ▶ We have not been provided with a full listing of those leases impacted by IFRS 16.
- ▶ The Council has not identified the relevant lease categorisations.
- ▶ Relevant accounting policy choices have not yet been determined.
- ▶ Transitional and ongoing accounting arrangements are therefore not yet clear.

This has meant that the Council has not been able to quantify the likely impact of the transition to IFRS 16 in its 2023/24 financial statements. The disclosure included in the 2023/24 financial statements as part of Note 2, Accounting Standards that have been Issued but not yet Adopted, only notes that the impact has not been assessed and does not explain why assessment of the impact has not been possible. Progress in this area now needs to be accelerated as a matter of urgency.

### **Recommendation 3:**

Accelerate the rate of progress in arrangements for the implementation of IFRS 16 so the Council is able to comply fully with the requirements of the standard in its 2024/25 financial statements.

# Other Reporting Issues (cont'd)

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
  - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
<p>We performed the following procedures:</p> <ul style="list-style-type: none"><li>▶ We enquired with management as to the relevant IT systems that would impact the statement of accounts for the audit.</li><li>▶ We made subsequent enquiries to understand the key IT process for the relevant material IT systems. This included the manage access, manage change and manage operation processes for these IT systems.</li></ul>	<ul style="list-style-type: none"><li>▶ We identified the relevant material IT systems at the Council which includes the Council's general ledger system (TechOne).</li><li>▶ Our understanding of the IT processes for the Authority's material IT systems did not result in any additional audit risks.</li></ul>



# 08 Independence

# Independence

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

## Confirmation

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partner, manager and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that we have communicated with the Council, information about the proposed non-audit service to enable them to make an informed assessment about the independence impact of the provision of the proposed services.

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 period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#).

## Relationships

There are no relationships from 1st April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

Details of the non-audit services that we have provided and the related threats and safeguards are set out in the table below.

Description of service	Related independence threat	Safeguards adopted and reasons considered to be effective
We are engaged by the Council as a reporting accountant for the Housing Benefit Assurance Process (HBAP)	▶ Self-Interest	▶ The service is permissible under the NAO's Auditor Guidance Note 01. because this service is required by the awarding central government department. We have remained within the audit to non-audit fee ratios permitted by the Ethical Standards.
	▶ Self-Review	▶ The results of the AUP testing is not reflected in the amounts included/disclosed in the financial statements. The external audit conclusion is not reliant upon the conclusion of our AUP engagement. ▶ No advice will be given in relation to accounting treatment.

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..

# Independence - Fees

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

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

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	2023/24	Note Reference	2022/23
	£		£
Total Fee - Scale Fee	140,086	(1)	45,311
Scale fee adjustment	TBC	(2) (3)	TBC
<b>Total audit</b>	<b>TBC</b>		<b>TBC</b>
Housing Benefit Claim Certification Fees	TBC		TBC
<b>Total other non-audit services</b>	<b>TBC</b>		<b>TBC</b>
<b>Total fees</b>	<b>TBC</b>		<b>TBC</b>

All fees exclude VAT

(1) PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) The revision to ISA (UK) 315 has impacted our scope and approach, requiring us to enhance the audit risk assessment process, better focus responses to identified risks, and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge an additional fee for this, and PSAA has confirmed it is not within the scale fee.

(3) Additional work we completed, which is not anticipated within the scale fee, is as follows:

- ▶ Consideration of correspondence from the public and formal objections;
- ▶ New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16;
- ▶ Valuation issues on PPE and investment properties; and
- ▶ Delays in relation to debtors and creditors listing.



09

# Appendices

# Appendix A – Summary of assurances

## Summary of Assurances

As we have set out in Section 4 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or in-year movements recorded in the Comprehensive Income and Expenditure Statement deriving from the opening balances. This is considered material and pervasive to the 2023/24 financial statements.

The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE'), including asset held for sale	Partial	We have completed our planned work in this area for 2023/24, but we do not have full assurance over the PPE closing balance, due to the disclaimed opinion for 2022/23 meaning we did not test material movements in the fixed asset register for additions, disposals, reclassification revaluation and depreciation in that year. We will begin procedures for the rebuilding of assurance in 2024/25.
Investment Property	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024,
Intangible Assets	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024, since there have not been any material intangible assets acquired or disposed of in the disclaimed period.
Long Term Investments	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024.
Long Term Debtors	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024.
Short Term Investments	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024.
Short Term Debtors	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024.
Cash and Cash equivalents	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024.
Creditors (short and long term)	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024.
Borrowings (short and long term)	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024.



# Appendix A – Summary of assurances (cont'd)

## Summary of Assurances

Account area	Assurance rating	Summary of work performed
Provisions (short and long term)	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024.
Pension liability	Substantial	We have completed our planned audit work in this area for 2023/24 and have assurance over the closing balance at 31 March 2024
Grants received in advance	Partial	We have tested all Grants Received in Advance (RIA) movements arising from 2023/24 transactions but, as we do not have assurance over movements across the disclaimed period, and therefore the opening balance for 2023/24, we do not have assurance over the Grants RIA balance at 31 March 2024.
Collection Fund	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives for the Collection Fund.
Comprehensive Income and Expenditure Statement	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements to Net Cost of Services.
Revenue expenditure funded from capital under statute (REFCUS)	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements within REFCUS.
All other disclosures	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives for the Other Disclosure Notes.
Capital Financing and Minimum Revenue Provision	Partial	We have tested movements arising from 2023/24 in the Capital Financing Requirement Note transactions but, as we do not have assurance over movements in reserves across the disclaimed period, we do not have assurance over reserve balances at 31 March 2024.
Cash flow statement	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives for the Cash Flow Statement.
Reserves	None	We have tested all reserves movements arising from 2023/24 transactions but, as we do not have assurance over movements in reserves across the disclaimed period, we do not have assurance over reserve balances at 31 March 2024.

# Appendix B - Required communications with the Joint Audit and Governance Committee

## Required communications with the Joint Audit and Governance Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Joint Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report - April 2024
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report

# Appendix B - Required communications with the Joint Audit and Governance Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit results report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Joint Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Joint Audit and Governance Committee responsibility.</li> </ul>	Audit results report

# Appendix B - Required communications with the Joint Audit and Governance Committee (cont'd)

## 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 entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report - April 2024</p> <p>Audit results report</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Joint Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Audit and Governance Committee may be aware of</li> </ul>	Audit results report

# Appendix B - Required communications with the Joint Audit and Governance Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report
System of quality management	<ul style="list-style-type: none"> <li>▶ How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	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"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report

# Appendix D – Management representation letter

## Management representation letter

### Ernst & Young

Grosvenor House  
Grosvenor Square  
Southampton  
Hampshire  
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Worthing Borough Council (“the Council”) for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Worthing Borough Council as of 31 March 2024 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 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our 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:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the 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 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the 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 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error.
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

# Appendix D – Management representation letter

## Management representation letter

corrected these differences identified by and brought to the attention from the auditor because [\[specify reasons for not correcting misstatement\]](#).

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

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
  - involving financial improprieties;
  - 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.
1. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
2. We have made available to you all minutes of the meetings of the Council, Worthing Cabinet, Joint Audit and Governance and Joint Strategic Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: [\[list date\]](#).
3. 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

# Appendix D – Management representation letter

## Management representation letter

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 period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised 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 unauthorised 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

### D. Liabilities and Contingencies

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

### E. Going Concern

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

### F. Subsequent Events

1. As disclosed Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

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



# Appendix D – Management representation letter

## Management representation letter

3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

### H. Climate-related matters

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

### I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

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

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 liability and valuation of land, buildings and investment properties 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.

### K. Estimates

1. We confirm that the significant judgments made in making the estimate of valuation of the IAS 19 pensions liability and valuation of land, buildings and investment properties have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of the IAS 19 pensions liability and valuation of land, buildings and investment properties.
3. We confirm that the significant assumptions used in making the estimate of the valuation of the IAS 19 pensions liability and valuation of land, buildings and investment properties appropriately reflect our intent and ability to carry out these valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the estimate of the valuation of the IAS 19 pensions liability and valuation of land, buildings and investment properties.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

# Appendix D – Management representation letter

## Management representation letter

### L. 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.

### M. Reserves

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

### N. Contingent Liabilities

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

*Yours faithfully,*

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Name: Emma Thomas

Position: Chief Financial Officer

Date:

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Name: Name: Councillor Dan Hermitage

Position: Joint Governance Committee

Date:

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