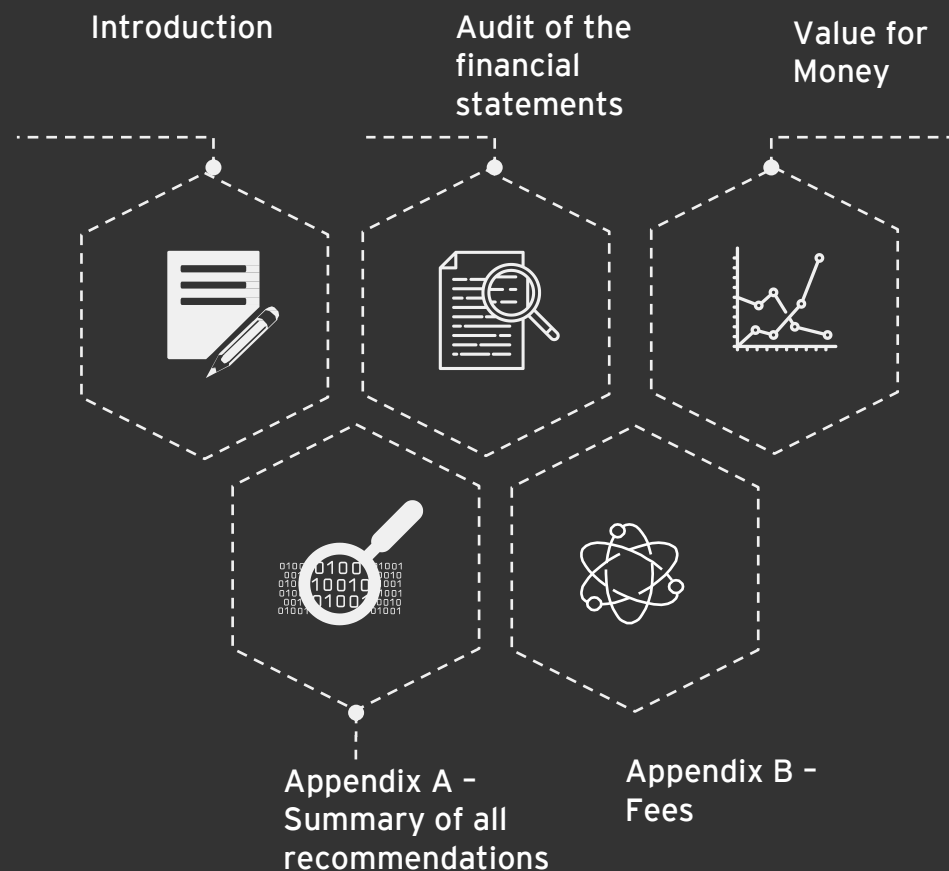


A photograph of a modern building's interior, featuring a large glass wall that reflects the surrounding environment. The interior shows a multi-level structure with light-colored wooden flooring and a white ceiling with recessed lighting. The glass wall is held together by black metal frames and silver-colored fasteners.

# **Borough of Broxbourne Auditor's Annual Report**

Year ended 31 March 2022

# Contents



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

The "Terms of Appointment and further guidance (updated 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 Audit and Standards Committee and management of Borough of Broxbourne in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit and Standards Committee and management of Borough of Broxbourne 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 Audit and Standards Committee and management of Borough of Broxbourne for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# Introduction

## **Purpose**

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 24 February 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2021/22 Conclusions

<b>Financial statements</b>	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 20 November 2024.
<b>Going concern</b>	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
<b>Value for money (VFM)</b>	We had no matters to report by exception on the Council VFM arrangements. We have included our VFM commentary in Section 03.
<b>Consistency of the annual governance statement</b>	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Whole of government accounts</b>	We have not performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because these procedures were no longer required at the point of concluding our audit.
<b>Certificate</b>	We issued our certificate on 20 November 2024.



# Audit of the financial statements

## Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 20 November 2024, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 19 November 2024 Audit and Standards Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported one internal control recommendation in the Audit Results Report, refer to Appendix A for information on this recommendation.

Significant risk	Conclusion
<b>Misstatements due to fraud or error</b>	<p>Our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. The identified area was the inappropriate classification of revenue spend as capital expenditure. The results of our work on this specific risk is set out on the following page.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>Our testing of journals did not identify adjustments outside of the normal course of business. All journals tested have appropriate rationale.</p>
<b>Inappropriate capitalisation of revenue expenditure</b>	<p>We did not identify any additions that were capitalised which did not meet the statutory definition of capital.</p> <p>Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.</p>
<b>Risk of fraud in revenue and expenditure recognition - Commercial Property Rental Income</b>	<p>We did not identify any audit misstatements in relation to the Council's recognition of commercial property income.</p> <p>The Council's revenue recognition policy is compliant with the criteria as set in the CIPFA Code of Practice on local Council accounting and International Financial Reporting Standard 15.</p> <p>The financial controls in place over revenue recognition are appropriate. Note: We have not specifically tested these controls.</p> <p>We did not identify any unusual contract terms in relation to the commercial rental income tested.</p> <p>Our substantive analytical review procedures and test of detail sample testing did not identify any misstatements.</p>



# Audit of the financial statements

Significant risk	Conclusion
<b>Valuation of investment properties and property, plant and equipment</b>	<p><u>Investment Property Valuations</u></p> <p>For Investment Property valuations the Council engaged NPS and Colliers as their external professional valuers to provide investment property valuation as of 31/03/22. We reviewed the scope of the work performed and the professional capabilities of the valuers acting as management's expert. We did not identify any concerns.</p> <p>We engaged EY's Real Estate Valuations team to review a sample of 7 investment property valuations where there was a higher risk of material misstatement. For all 7 investment property valuations reviewed the assumptions were appropriate and the valuations were determined to be within a reasonable range. No audit differences were identified.</p> <p>A further sample of investment property valuations were reviewed by the audit team. The key assumptions that underpin the valuations were reviewed. We did not identify any reporting matters from these procedures.</p> <p><u>Property, Plant and Equipment (Land and Buildings) Valuations</u></p> <p>For Property, Plant and Equipment (Land and Buildings) valuations the Council engages its internal property specialists to provide asset valuations. The initial assessment, as reflected in the Council's draft financial statements, concluded there had not been a material change in valuation for any of the Council's Property, Plant and Equipment (Land and Building) assets compared to the prior year valuations (i.e. as at 31/03/21). We challenged that assessment based on our expectation of changes as evidenced by property market values and relevant indices between 31/03/21 and 31/03/22. Management reassessed their original conclusion, this resulted in specific classes of assets requiring a new valuation as at 31/3/22.</p> <p>We received management's updated assessment and revised valuations on 19 February 2024, our audit procedures over the valuation of Property, Plant and Equipment (Land and Building) concluded that the revised valuations are reasonably stated. The revised valuations increase the net value of Property, Plant and Equipment on the Council's balance sheet by £1.8m.</p>



We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

## Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 12 March 2024 Audit and Standards Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Deputy Chief Executive (s151 officer) and evaluation of associated documentation through our regular engagement with Council management and the finance team.

## Reporting

We completed our risk assessment procedures in November 2024 and did not identify any significant risks or weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 8 to 10. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



## Value for Money (continued)

### Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

#### No significant weakness identified

We note that the Council's financial performance is regularly monitored and reviewed throughout the year, with strong financial management and control being a cornerstone of management practices, contributing to the effectiveness and efficiency of programme and service delivery across the organisation.

#### Budget Setting

The Council's Corporate Plan sets the strategic priorities for the Authority. These priorities then drive a strategy and action plan which the Council uses to achieve delivery against priorities set out in the Corporate Plan. The Council's individual strategy and action plans inform both the Authority's medium term financial strategy as well as the annual budget setting process.

Budgets (revenue and capital) are set annually. The budget which sets Council Tax for the year is approved by annually by the Council. The budget setting process is initiated by management with consideration annually in November by Cabinet, then in February by the Scrutiny Committee before final approval by the Council.

In February 2022, the Council approved a net expenditure budget of £8.1m for the 2022/23 financial year. The Council reported the assumptions that underpinned both the authority's medium term financial strategy as well as the detailed budget forecasts for the year. Some of the key assumptions included increase of Council Tax charge by £5, increase in Council Tax base by 1%, pay inflation at 2% and general inflation at 3%. The Council set it's 2022/23 budget so that there would be no net impact on the authority's General Fund balance for the year end 31 March 2023.

The Council set a capital budget of £12.5m for the 2022/23 financial year.

#### Budget monitoring

A review of the budget is undertaken quarterly as part of the Council's finance and performance reporting framework. Significant variation of overspend or underspend against budget are tracked and escalated. If necessary amended quarterly budgets are approved. Quarterly revenue and capital monitoring reports are sent to members of the Scrutiny Committee.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**





## Value for Money (continued)

### Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

#### Internal control

The Council's objectives are monitored through a quarterly performance summary and quarterly financial reporting regime. These are reviewed by management and reported to members of the Council. The Council has a strategic risk register that is regularly monitored and updated by management and reported to members through the Audit and Standards Committee. An annual risk management report is reported to members. The Council's 2021/22 Annual Governance Statement was approved by the Audit and Standards Committee.

The Council has sound financial management policies in place in conducting its business efficiently which are adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Council. They provide the framework for managing the Council's financial affairs, and govern the way financial decisions, budget setting and monitoring, financial administration and financial controls are exercised.

#### Internal Audit

The Council's has an in-house internal audit functional. The Council's Internal Auditors undertake a planned programme of work which is reported to the Audit and Standards Committee. This includes reviews of systems of governance, risk management and internal control across the Authority.

The Council has an Anti-Fraud and Corruption Strategy as well as an annual Anti-Fraud plan, which is developed by the Council in partnership with the Shared Anti-Fraud Service who fulfil annual Anti-Fraud plan. Progress against delivery of the Anti-Fraud plan is reported regularly to the Audit and Standards Committee.

#### Risk Management

The Council has risk management framework in place which aims to ensure risk management is effectively integrated within its business planning, decision making and performance management framework against a Risk Maturity Framework ensuring the risks to the achievement of the Council's strategic priorities and objectives are managed. The responsibilities rest with (i) the Audit and Standards Committee who challenge the application of effective risk management and review the strategic risk register, and (ii) the Corporate Management Team who review and monitor the Council's risks appetite.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.**



## Value for Money (continued)

### 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

#### No significant weakness identified

##### Use and monitoring of information

The Council set out corporate priorities and objectives in its Corporate Plan 2020-2024. The three priorities as set out in the Corporate Plan were A Thriving Economy, Sustainable Living and An Effective Council. The Council monitors and reports performance against key performance indicators and financial performance on a quarterly basis. The Council also prepares an Annual Monitoring Report which monitors development within the Borough of Broxbourne.

The Corporate Management Team meet regularly to discuss corporate targets and priorities. This includes updates on the financial performance and identifies areas for improvement.

The authority's Scrutiny committee also reviews the Council's financial and non-financial performance on a quarterly basis. This provides members with the opportunity to assess the performance of management.

The quarterly performance management framework is the mechanism by which services and performance is reviewed. The council has a number of Key Performance Indicators (KPIs) service areas. These KPIs are measured against the actual service provided and are reported to cabinet on a quarterly basis.

##### Working with partners, including the Broxbourne group

The Council has two subsidiary entities, Badger BC Investments Ltd (Badger) and Broxbourne Environment Services Trading Ltd (BEST). The Council's subsidiary entities are well established. The Council prepares group financial statements annually to consolidate the financial performance of the two entities. The subsidiary entities are directed by the Council and controlled by management, as the directors of the subsidiary companies are members of the Council's senior management team.

##### Procurement

The Council has a Code of Governance which is based on the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Council Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government Framework (2016) (the Framework).

The Council has a framework of 'Contract Standing Orders' in place which are designed to promote good purchasing practice and accountability. They apply to all areas of the Council, including its subsidiary entities.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.**

# Appendices

## Appendix A – Summary of all recommendations

### Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. We did not identify any recommendations arising from our Value for Money procedures.

Issue	Recommendation
<b>Financial statements:</b>	
<u>(1) Valuation of Property, Plant and Equipment Assets</u>	
Our audit procedures on the valuation of Property, Plant and Equipment (Land and Buildings) has identified weaknesses in the management's processes to review and challenge the output of the valuation specialists they engage before reporting the valuations in the Council's financial statements.	<b>[Medium priority]</b> The Council should review arrangements to assess the material accuracy of the valuation of Property, Plant and Equipment (Land and Buildings) at the financial year end.

## Appendix B – Fees

### Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd.'s "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risk, these have been listed below. These take into account a number of risk factors which includes procedures performed to address the risk profile of the Council and additional work to address the increase in Regulatory standards. As a result, there will be an associated additional audit fee which remains subject to approval by PSAA Ltd.

Our fee for 2021/22 is in line with the audit fee agreed and reported in our 2021/22 Annual Results Report. The final fee payable is subject to determination by PSAA.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
<b>Total Audit Fee - Code work</b>	<b>40,642</b>	<b>40,642</b>	<b>36,137</b>
-Changes in work required to address professional and regulatory requirements and scope associated with risk	13,931	13,931	3,500
- Group consolidation	7,000	7,000	5,631
- Property valuations significant risk	8,000	8,000	8,365
- Enhanced procedures on going concern disclosure	1,500	1,500	0
- Revised auditing standard for estimates	2,500	2,500	2,585
- VFM Commentary	6,000	6,000	6,035
- Accounting for C-19 related grants (additional risk)	0	0	1,505
- Additional Pensions Procedures, involving EY Pensions	2,500	2,500	5,105
- Infrastructure Assets Assessment	0	0	1,041
- New Payroll System	5,000	2,500 to 8,000	N/A
- Additional procedures on PPE valuations	7,500	0	0
- Inefficiencies in the audit timetable	8,000	0	0
- Additional procedures undertaken in response to identified audit differences	9,000	0	0
<b>Total audit fee</b>	<b>111,573</b>	<b>84,573 to 90,073</b>	<b>69,904</b>



## Appendix B – Fees

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### **Relationships, services and related threats and safeguard**

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

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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