

**Mid Sussex District
Council**
Audit results report
Year ended 31 March 2022

August 2023

009 August 2023



Mid Sussex District Council
Oaklands
Oaklands Road
Haywards Heath
West Sussex
RH16 1SS

Dear Audit Committee Members

2021/22 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 18 September 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Mid Sussex District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 18 September 2023.

Yours faithfully

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

Encl

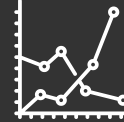
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities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

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

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



01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 26 July 2022 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

Changes in materiality

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of operating expenditure, we have updated our overall materiality assessment to £1.5m (Audit Planning Report – £1.6m). This results in updated performance materiality, at 75% of overall materiality, of £1.1m, and an updated threshold for reporting misstatements of £74k.

Additional work performed on Pensions/IAS 19

We note that during the audit, additional information has come to light in relation to the Triennial Valuation for West Sussex Pension Fund. We have had to perform additional procedures over the valuation which has involved testing membership data at the pension fund level and re-running the IAS 19 results report from the actuary.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete and we have performed the procedures outlined in our Audit Planning Report. The remaining areas to complete on the audit are those associated with the final presentation of this report, and approval of the accounts by the Council:

- Completion of the subsequent events review up to the date of signing the audit report;
- Receipt of approved and signed accounts; and
- Receipt of the signed management representation letter.

We do not expect to issue the audit certificate at the same time as the audit opinion as we are awaiting for the NAO as group auditor to confirm whether any further assurances are required from us as component auditor. The audit certificate will be issued once this confirmation is received and any requested work completed, however, we cannot be definitive when certification the audit is complete will occur, as similar to the 2020/21 position it will depend on the NAO timetable.



Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Status of the audit - Value for Money

In the Audit Plan, we reported that we had yet to complete our value for money (VFM) risk assessment. We have completed our planning procedures in relation to VFM and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

We include further details in Section 05.



Executive Summary

Audit differences

We have identified five adjusted and one unadjusted audit differences.

The unadjusted misstatement relates to a value recorded as a contingent liability which meets the criteria for recognition as a provision. This results in an understatement of the provision balance by £250k.

Two of the adjusted misstatements relate to the valuation of the property, plant and equipment and investment property. The first related to an item of property, plant and equipment which was understated by £224k and the other related to an item of investment property which was understated by £229k.

A further adjusted misstatement relates to the creditors included in the financial statements. We have identified one transaction which has been included within the 2021/22 financial statements which relates to 2022/23 financial year. This error totals £117k.

We also identified a grant incorrectly accounted as agent which should have been accounted as principal. Management updated the accounts, increasing income and expenditure by £2.238m.

In addition to the above, a revised triennial valuation has been issued, resulting in an adjustment being required to the pension liability values. This has also been adjusted by management, decreasing the pension liability by £2,969k.

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

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 will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. The NAO have released their group instructions for 2021/22, and the Council remains below the threshold for detailed procedures.

We have no other matters to report.

Objections

We have received an objection to the 2021/22 accounts from a member of the public. In our discretion we declined to accept the objection.

We have considered this objection and concluded that it did not impact on our financial statement opinion or value for money conclusion.



Executive Summary

Areas of audit focus

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

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure	From the work performed, we have not identified any evidence of manipulation of expenditure through inappropriate capitalisation of revenue expenditure within either the Revenue Expenditure Funded from Capital Under Statute or Property, Plant and Equipment additions balances.

Significant Risk	Findings & Conclusions
Valuation of Investment Property	We employed the use of our expert to support the work in relation to the valuation of investment properties. This work has been completed and we have confirmed that issues presented within the 2020/21 Audit Results Report to the March 2022 Audit Committee and within the updated 2020/21 Audit Results Report to the April 2023 Audit Committee have recurred. We have identified one misstatement where an asset was understated by £229k.

Inherent Risk	Findings & Conclusions
Valuation of Land and Buildings	We employed the use of our expert to support the work in relation to the valuation of land and buildings. This work has been completed and we have identified one misstatement where an asset was understated by £224k.
Pension Liability Valuation	We tested the Council's pensions liability valuation and assessed the work of the Council's actuary, Hymans Robertson. We have undertaken additional audit procedures in response to ISA540 regarding accounting estimates. These have included the production of a parallel IAS 19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. Due to the updated information available for the 2022 triennial valuation becoming available, additional work has also been performed on this area as detailed on page 17.



Executive Summary

Areas of audit focus

We request that you review these areas of audit focus included on the previous page and other matters set out in this report to ensure:

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

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

Control observations

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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Section 08 for our update on Independence. We have no matters to draw to your attention.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

We have considered the areas in which management could seek to override controls at Mid Sussex District Council, and this has fed into our consideration of the risk of fraud in revenue recognition as set out on page 13.

What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets and classification of Revenue Expenditure Funded from Capital Under Statute spend, which is recorded as a separately identified fraud risk.

Our work on estimates focused on the valuation of Investment Properties as an area of significant risk and the valuation of Land and Buildings in PPE and IAS 19 pension liability valuation estimates as areas of higher inherent risk and are reported further in this report.

What did we do?

Please see the following page for full details.

What is the status of our work?

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

Our work in these areas has not resulted in amendment to the financial statements. Although three unadjusted misstatements have been identified in relation to the valuation of property, plant and equipment, investment properties and pension liabilities, there is no indication of fraud or management bias identified.

There were no unusual transactions identified outside the normal course of the Council's business.



Areas of Audit Focus

Significant risk

Further details on procedures / work performed

We carried out the following procedures:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address those identified risks of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
 - Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
 - Assessing accounting estimates for evidence of management bias, include estimates with a significant risk or higher level of inherent risk relating to the valuation of IP, PPE and pension liability and asset valuation.
 - Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure' were required - see the next page for further details.



Areas of Audit Focus

Significant risk

Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure

What is the risk?

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

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What judgements are we focused on?

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

What did we do?

In response to this risk, we:

- Tested a sample of PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related. We note that no testing was carried out on IP additions as the value was nil.
- Tested as sample of REFCUS, to ensure that it is appropriate for the revenue incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- Performed an analytical review comparing the actual capital expenditure spend to the original budget.
- Used our analytics tools to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or REFCUS, or from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

We found no evidence of incorrect capitalisation of revenue expenditure within either the PPE additions or REFCUS balance. We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified.



Areas of Audit Focus

Significant risk

Valuation of Investment Property

What is the risk?

Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes. Material judgemental inputs and estimation techniques are required to calculate the year-end IP balances held in the balance sheet.

The risk is heightened for traditional retail assets due to market difficulties, partly arising from the advent of Covid-19, such as reduced consumer confidence and competition from internet based retailers with lower cost bases. Errors have been identified in the valuations for the past two years.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets - such as the yield adopted and the forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenged the assumptions used by the Council's valuers 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, included a detailed review of a sample of assets by our own valuation specialist.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Considered the annual cycle of valuations, ensuring that the IP assets have been valued annually as required by the Code. We also considered whether there are any specific changes to assets that have occurred and confirmed that these have been communicated to the valuers.
- Tested that accounting entries have been correctly processed in the financial statements.



Areas of Audit Focus

Significant risk

What are our conclusions?

The investment property population totalled £46.782m at 31 March 2022, made up of 14 different assets.

We selected a sample of this population, identifying 10 assets for testing for a total value of £44.863m.

We employed the use of our own expert to support the work in relation to the valuation of investment properties on a fair value basis, obtaining their support and input over 3 of these assets totalling £22.476m. These assets were specifically selected for two reasons. Two assets are complex in nature, being multi-tenanted and having experienced errors within prior year valuations. The remaining asset experienced an unusual movement in the current year compared to prior year when reviewed against other assets of a similar nature.

We have received this report and incorporated the findings within our testing of the remaining sample of assets which have not been selected for review by our own expert.

Our work identified one asset which has been understated by £229k. This misstatement was caused by the valuer not being provided with the updated tenancy schedule in relation to one of the multi-tenancy assets.

The review by our own expert also highlighted that the valuer's valuation date of 1 April 2021 is different to the Council's financial year-end of 31 March 2022. Whilst such a valuation date is technically compliant with accounting standards, the substantial difference in these two dates increases the likelihood of material movements occurring, such as updates to tenancy details, which has the potential to have a material impact on the underlying asset valuation at the balance sheet date.

We were disappointed to note similar issues raised by our experts regarding the valuations, as reported in our prior year report. No clear evidence has been provided how our recommendation, made and agreed in prior years, has been actioned.

We note that the prior year recommendation was made when work on the 2021/22 valuation had already been started, however, we are of the opinion that management checks on the valuations could have been made before the audit commenced.



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Valuation of Land and Buildings

Property, Plant and Equipment Land and Buildings represent significant balances in the Council's accounts and are subject to valuations changes, impairment reviews and depreciation charges.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

We:

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenged the assumptions used by the Council's valuers 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, included a detailed review of a sample of assets by our own valuation specialist.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Considered the annual cycle of valuations, ensuring that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered whether there are any specific changes to assets that have occurred and confirmed that these have been communicated to the valuers.
- Reviewed any EUV and FV properties not subject to valuation in 2021/22 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.
- Tested that accounting entries have been correctly processed in the financial statements.

What are our findings and conclusions?

The property, plant and equipment population valued in year totalled £61.903m at 31 March 2022, made up of 42 different assets. We selected a sample over this population, identifying 7 assets for testing for a total value of £58.149m.

We employed the use of our own expert to support the work in relation to the valuation of Land and Buildings for one specific asset. This asset (totalling £986k) was selected for review by our own expert as it experienced an unusual movement in the current year compared to prior year when reviewed against other assets of a similar nature.

The report from our expert has been received and reviewed and we have completed our testing over the remaining sample of assets which have not been selected for review by our own expert.

We have identified one misstatement within this population with one asset being understated by £224k due to an incorrect area being utilised within the valuation calculation. We assessed the impact of this over the remaining population and determined this to be isolated to this asset.



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Pension Liability Valuation

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

The Council's pension fund asset is a material estimated balance and the Code requires that this asset 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 County 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 and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We:

- Liaised with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Mid Sussex District Council.
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considered any relevant reviews by the EY actuarial team.
- Evaluated the reasonableness of the Pension Fund actuary's gross liability calculations by comparing them to the outputs of our own auditor's actuarial model.
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actuarial 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 were required.

What are our findings and conclusions?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. We employed the services of an EY pensions specialist to review the Council's IAS 19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

Due to the overall delays in the audit compared to the usual timescales, the Council is now in receipt of further information from the Triennial Valuation as at 31 March 2022. The Council are required to consider the potential impact of this, and commissioned an updated IAS 19 report from their actuary. Management have processed this change within the financial statements, being a decrease in the pension liability of £2,969k.

Due to the material movement these figures we have had to perform additional procedures. This work included additional membership testing (completed at the Pension Fund level) and obtaining updated assurances from PWC as the consulting actuaries. We have received the updated assurances, and are satisfied that the updated assumptions within the revised report are supportable.



03

Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MID SUSSEX DISTRICT COUNCIL

Opinion

We have audited the financial statements of Mid Sussex District Council ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 40, and
- Collection Fund and the related notes 1 to 4

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Mid Sussex District Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Assistant Director for Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Assistant Director for Corporate Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.



Audit Report

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts for the Financial Year 2021/22, other than the financial statements and our auditor's report thereon. The Assistant Director for Corporate Resources is responsible for the other information.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects

Responsibility of the Assistant Director for Corporate Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 4, the Assistant Director for Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Assistant Director for Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director for Corporate Resources 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.



Audit Report

Draft audit report

Our opinion on the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Local Government Act 1972,

- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- The Public Contract Regulations 2015,
- The Localism Act 2011
- Local Government & Housing Act 1989
- The Local Audit and Accountability Act 2014 (as amended),
- The Localism Act 2022,
- The Local Government Act 1999, and
- The Accounts and Audit Regulations 2015.

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

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



Audit Report

Draft audit report

Our opinion on the financial statements

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

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine. We also tested a sample of revenue expenditure financed from capital under statute (REFCUS) items to confirm they were appropriately classified.

To address our fraud risk of management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Mid Sussex District 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 Mid Sussex District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (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

Draft 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 Mid Sussex District Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

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



04 Audit Differences





Audit Differences

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

Summary of adjusted differences

At the time of writing, we have identified five adjusted misstatements.

- The first related to the Creditors balance included in the financial statements. One transaction was identified which has been included within the 2021/22 financial statements which relates to 2022/23 financial year. This error totals £117k.
- Two of the relate to the valuation of the property, plant and equipment and investment property. The first related to an item of property, plant and equipment which was understated by £224k and the other related to an item of investment property which was understated by £229k.
- We also identified a grant incorrectly accounted as agent which should have been accounted as principal. Management updated the accounts, increasing income and expenditure by £2.238m.
- A revised triennial valuation has also been issued, resulting in an adjustment being required to the pension liability values (see page 16). Management have processed this amendment in the revised financial statements.

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



Audit Differences

Summary of unadjusted differences

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

Uncorrected misstatements 2021/22 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase				Equity Components
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	
Errors							
Judgemental differences:							
▸ Provisions - Understatement of Provisions Balance (see below)		250			(250)		
Cumulative effect of uncorrected misstatements		250			(250)		

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2022.

Understated provision: The Council disclosed a contingent liability, which we believe should be a provision. In our judgement the key criteria under IAS37 were known at the time of preparing the accounts, supported by an internal briefing note. The briefing note set out the basis which in our judgement demonstrated that it was (i) a present liability from a past event, (ii) it was probable payment (or a transfer of economic benefit) would be made, and (iii) it could be reliably quantified. Management judged it not to be probable, but possible, and therefore viewed it as a contingent liability.



05

Value for Money



Value for money

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

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

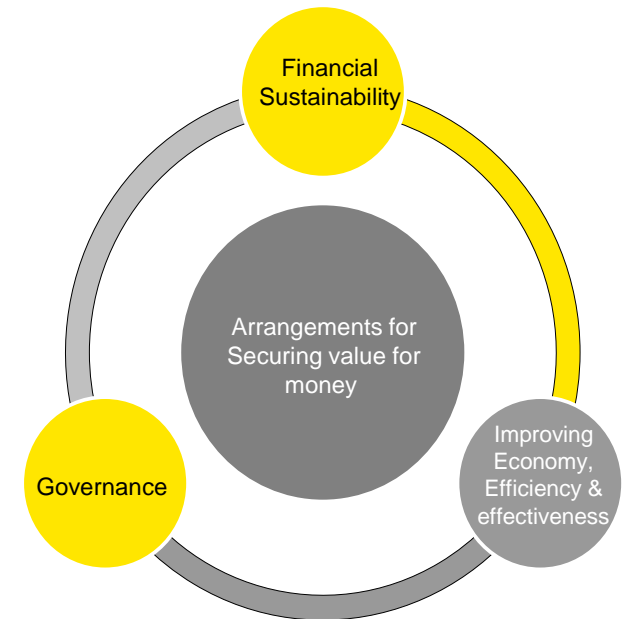
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its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

Risk assessment

We previously reported to the Audit Committee on 26 July 2022 that our risk assessment was not yet complete. We have since completed our assessment of the risk of significant weaknesses in the Council's VFM arrangements and have not identified any risks of significant weaknesses.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). Our full VFM commentary will be issued within our Auditor's Annual Report.





06 Other reporting issues

Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements.

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

Financial information in the Statement of Accounts 2021/22 and published within 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 do not expect to issue the audit certificate at the same time as the audit opinion as we are awaiting for the NAO as group auditor to confirm whether any further assurances are required from us as component auditor. The audit certificate will be issued once this confirmation is received and any requested work completed, however, we cannot be definitive when certification the audit is complete will occur, as similar to the 2020/21 position it will depend on the NAO timetable.

Other reporting issues

Other reporting issues

Other powers and duties

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

Other matters

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

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no further matters to report in these areas.

Other reporting issues

Other Powers and duties

Objection to the accounts

We received an objection to the 2021/22 financial statements.

The objection asked for a public interest report into payments made to a supplier in respect on compliance with the Public Contracts Regulations 2015. As part of the contract was a secondment, the objection also asked us to consider compliance with other laws regarding employment and its taxation.

Having made initial enquiries of the Council, we established that the payments were beneath the Public Contract Regulations 2015 thresholds relevant to the year of £189,330. The Council also set out its consideration of IR35 in the matter of employment taxes.

Therefore, we decided not to accept the objection for consideration.

Information provided to the auditor

During the 2021/22 audit we were provided with information from a member of the public in relation to the severance payments to the former s151 officer. We determined to consider the matter as information brought to the auditor's attention, under paragraph 5.3 of the Code of Audit Practice 2020

The information covered three areas:

1. No report was made to Full Council to be considered under section 4 of the Local Government & Housing Act 1989
2. Allegations of unlawfulness of the severance payment
3. The Council had not approved the appointment of the new s151 officer.

We reviewed each of the matters, and determined the following:

1. No report was required under section 4 of the Local Government & Housing Act 1989. The Chief Executive (Head of Paid Service) had no concerns to bring to the attention of council members requiring them to consider such a report.
2. We investigated the payments to the s151 officer, including their compliance with the Constitution, the Council's pay policy, and relevant legislation and guidance. We obtained the Council's legal advice, and also took our own legal advice. We concluded that we did not wish to further challenge the Council's payments.
3. We identified that the Council would receive a report on the appointment of the new s151 officer at its May 2022 meeting, and reviewed the meeting agenda confirming that this did occur.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

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

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.



Assessment of Control Environment

Area	Property Valuations	Rating	Moderate - Matters are considered to be of moderate importance to maintenance of internal control. Action should be taken within six months.
Observation	<p>In the last three financial years (2019/20 through to 2021/22) we have identified errors in property valuations. The issues identified have included; the valuer not being able to support assumptions on yield or market rents; the valuer not explicitly stating their assumptions on voids & purchase costs; the nature of the asset not being correctly reflect in the valuation and the valuation not reflecting ongoing rent reviews.</p> <p>In our view, management should put into place the following controls:</p> <ul style="list-style-type: none">- Personnel at the Council, who have sufficient knowledge of the asset, should review the information provided to the valuer to ensure the information up to date, relevant, and accurate. Management should consider the need to perform the asset valuations closer to the 31 March year-end date to ensure that this updated information is utilised, and the resulting asset valuation quantified.- Management should ensure that the valuer explicitly states, and be able to support, all their assumptions in the valuation- Personnel at the Council, who have sufficient knowledge of the asset, should review the valuations performed by the valuer.		
Impact	<p>Mid Sussex District Council have a significant property portfolio include ~£47m classified as investment property</p> <p>Where the value of the property is materially mistated it could undermine ongoing decision making in relation to the current asset portfolio and any future transaction</p>		
Management comment	<p>The recommendation is agreed. The Finance and Estates teams will agree a workflow to prepare and check the valuations performed by the Council's external valuer</p>		



08

Independence

Relationships, services and related threats and safeguards

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

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

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, the only non-audit service is the review of the Council's Housing Benefit Subsidy claim. This is a permitted service under the NAO's auditor guidance.

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

[EY UK 2022 Transparency Report | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Final Fee 2021/22 £	Planned Fee 2020/21 £	Scale Fee 2020/21 £
Total Fee - Code work	38,917	38,917	38,917
Scale fee Rebasing: Changes in the work required to address professional and regulatory standards (1)	31,671	31,643	31,643
Revised proposed scale fee	70,588	70,560	70,560
Objection and other legal matters (2)	12,502	30,471	-
Change in audit requirements (3)	8,500	8,678	-
Change in risks, errors and other additional time incurred (4)	3,063	3,821	-
Scale fee variation - triennial pensions (5)	1,413	-	-
Total audit fee	96,066	113,530	70,560
Non-audit services (Housing Benefit subsidy certification) (6)	51,922	51,922	N/A
Total fees	147,988	165,452	70,560

All figures exclude VAT

- As detailed in the our 2020/21 Audit Results Report, we submitted a proposed rebasing of the scale fee to reflect changes in work required to address professional and regulatory requirements and scope associated with risk. We have rolled this forwards for the purposes of the 2021/22 planned fee.
- The work on the objection to the accounts and other information brought to the attention of the audit has been completed (See Section 6). The charge includes time incurred, and fees for legal advice.
- Starting from the 2020/21 audit, there were two new audit requirements which are not included in the initial scale fee. These were:
 - the introduction of the 2020 Code of Audit Practice and it's updated requirements for our Value for Money assessment.
 - ISA540 (revised) audit of accounting estimates - introducing updated requirements.

PSAA communicated an expected range of fees for these new areas, and our work at Mid Sussex District Council is at the bottom of that range.
- As noted in the main section of this report, we have incurred additional time through internal specialists in areas of property and pension valuations.
 - £2,234 - use of internal experts to verify property valuations
 - £829 - use of internal experts to review the IAS 19 pension liability
- As explained in Section 2 of this report, we have had to perform additional work over the Pension balance within the Accounts. This is due to an updated triennial valuation of the Pension Fund. This work is ongoing at the time of this report.
- The work to certify the 2021/22 Housing Benefit claim is ongoing and therefore, we have rolled this value forwards for the purposes of the 2021/22 fee reporting as the volume of work is similar to the previous year.






09

Appendices




Appendix A

Required communications with the Audit Committee





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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - 26 July 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - 26 July 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - 18 September 2023
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit results report - 18 September 2023





Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - 18 September 2023
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report - 18 September 2023
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report - 18 September 2023
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - 18 September 2023

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report - 26 July 2022</p> <p>Audit results report - 18 September 2023</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report - 18 September 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report - 18 September 2023
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report - 18 September 2023

Appendix A

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report - 18 September 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report - 18 September 2023
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - 18 September 2023
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report - 26 July 2022 Audit results report - 18 September 2023

Management representation letter

Management Rep Letter

Ernst & Young
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Mid Sussex District Council (“the Council”) for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Mid Sussex District Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of our 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 2021/22.

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 2021/22, 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 2021/22, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

Management representation letter

Management Rep Letter

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

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.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic, and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Council and 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].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Management representation letter

Management Rep Letter

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 (17 November 2020) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, 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 37 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. Other than as described in Note 4 to the financial statements, there have been no events, including events related to the COVID-19 pandemic,, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to 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 the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us.

Management representation letter

Management Rep Letter

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, in generating the IAS19 pension liability 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.

J. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, and in generating the IAS19 pension liability (the accounting estimates) have taken into account all relevant information and the effects of the COVID-19 pandemic 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 accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.

1. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

K. 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.

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