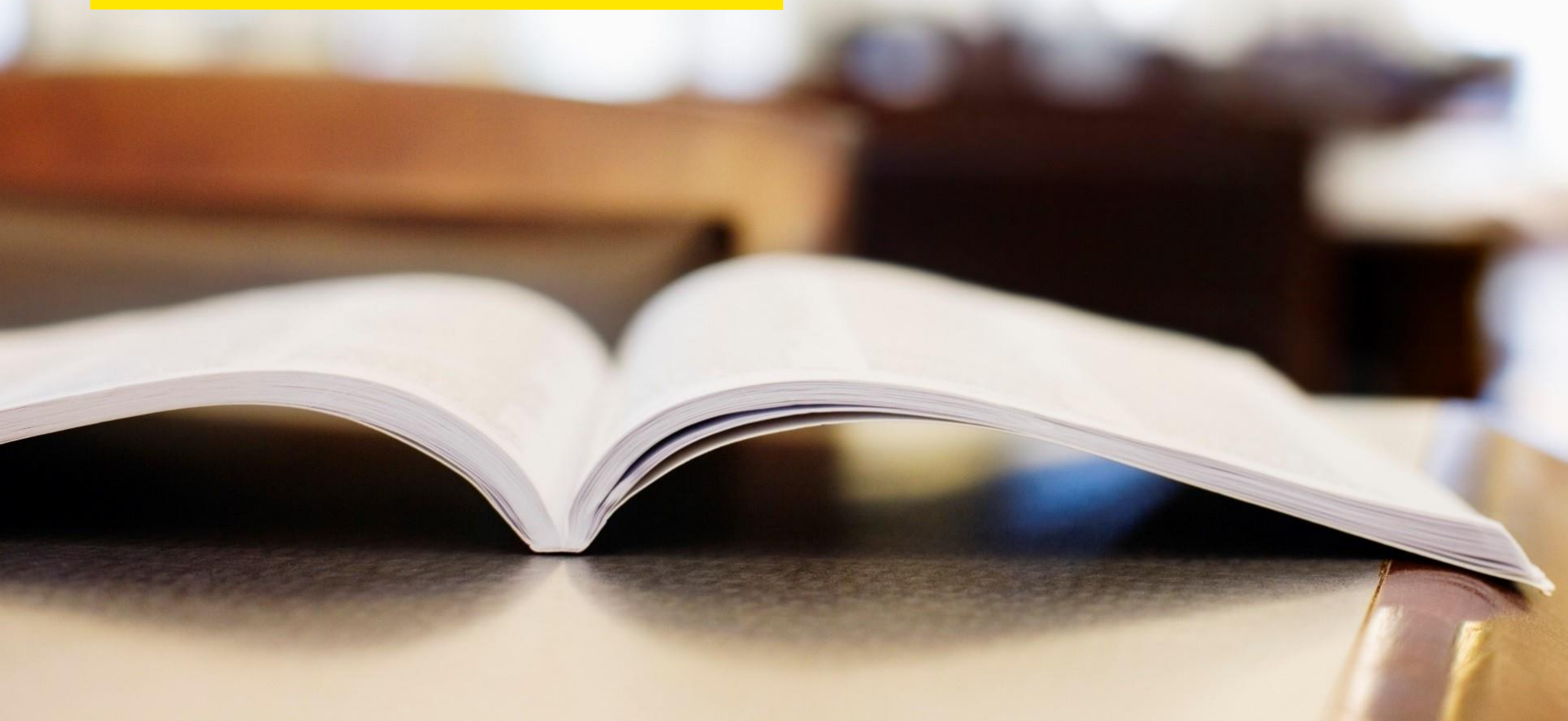
Greater London Authority Group

Audit results report

Year ended 31 March 2022

23 May 2023



Building a better working world

Private and Confidential

23 May 2023

Sadiq Khan
The Mayor of London
Kamal Chunchie Way
London
E16 1ZE

Dear Mayor
2021/22 Audit results report

We are pleased to attach our audit results report. This report summarises the status of our audit in relation to the audit of the Greater London Authority Group for 2021/22.

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 the Greater London Authority's (the Authority'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 Mayor, the Audit Panel, other members of the Authority, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

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

We would be happy to discuss the contents of this report with you.

Yours sincerely

Janet Dawson
Partner
For and on behalf of Ernst & Young LLP

Encl

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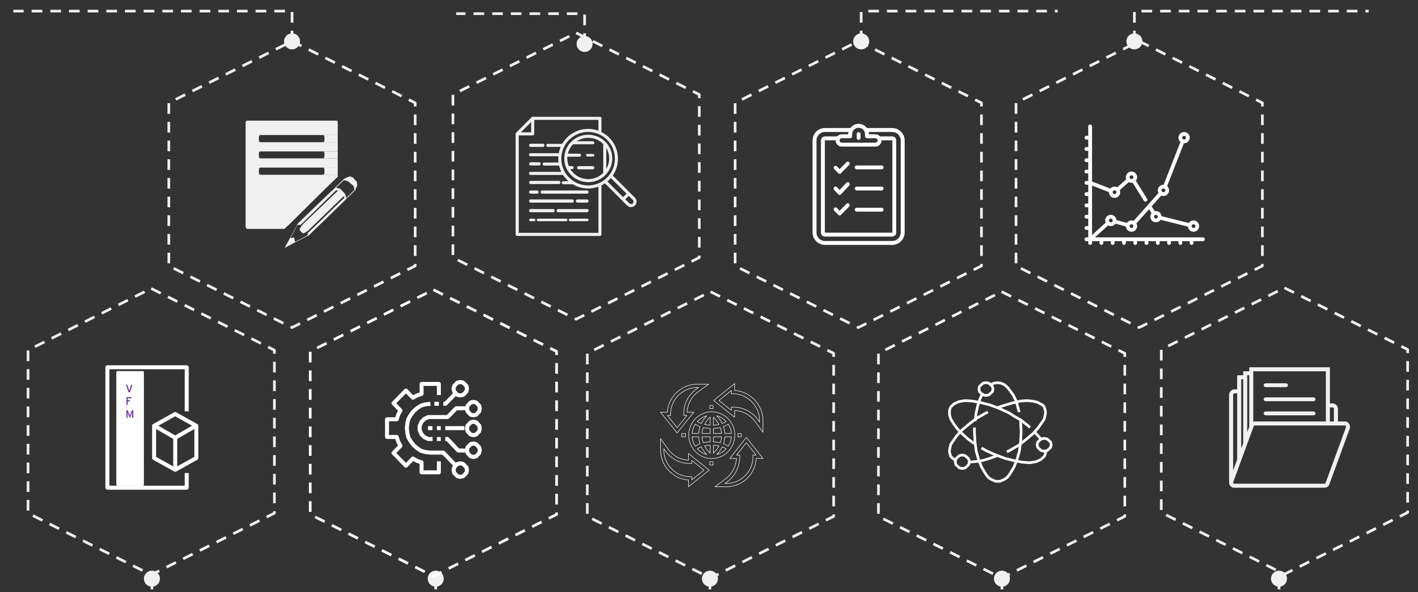


Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/).The Statement of responsibilities 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 (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) 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 Mayor, the Audit Panel, other members of the Authority, and senior management in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Mayor, the Audit Panel, other members of the Authority, and senior management 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 Mayor, the Audit Panel, other members of the Authority, and senior management 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 and status update

In our Indicative Audit Planning Report dated 18 February 2022 and our Audit Planning Report Update dated 20 May 2022, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality**

In our Indicative Audit Planning Report, we communicated that for the GLA group our audit procedures would be performed using a materiality of £60 million, with performance materiality, at 75% of overall materiality, of £45 million, and a threshold for reporting uncorrected misstatements of £3 million.

We updated our planning materiality assessment using the draft 21/22 consolidated financial statements and have also reconsidered our risk assessment.

We have updated our overall materiality assessment to £67.2 million. This results in updated performance materiality, at 75% of overall materiality, of £50.4 million, and an updated threshold for reporting misstatements of £3.4 million.

We have also updated our materiality for the GLA single entity using the draft 21/22 financial statements. We updated our overall materiality assessment to £65.2 million. Our performance materiality for GLA single entity is calculated as 90% of the group performance materiality at £45.4 million, and our updated threshold for reporting misstatements is £3.3 million.

The basis of our assessment has remained consistent with prior years at 1% of gross expenditure including capital additions.

Status of the audit procedures

Our audit work in respect of the Greater London Authority financial statements is on-going. Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.

Key outstanding items at the date of our report are as follows:

- Receipt of management representation letter & final signed financial statements

Executive Summary

Auditor responsibilities under the Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Authority 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 Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority 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 Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Authority 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 Planning Report Update dated 20 May 2022, we reported that we had completed our value for money (VFM) risk assessment and we had identified a risk of significant weakness in respect of the Governance and Financial sustainability criteria. We communicated our planned procedures which included review of advice taken on the establishment of the London Strategic Reserve LP and assessing the Authority's financial planning and budget monitoring processes. Having completed the planned procedures in these areas we did not identify a significant weakness.

During the course of our audit we identified a new risk of significant weakness in relation to procurement processes. We have completed our planned procedures and have determined that there is a significant weakness in the Authority's arrangements for how it procures services. As a result of completing our planned VFM procedures we have reported by exception details of the significant weakness in the auditor's report (see Section 03). We plan to issue the VFM commentary by the end of July as part of issuing the Auditor's Annual Report and this will include a review of management's lesson learned exercise which it plans to undertake into procurement processes. We include further details in respect of our VFM conclusion in Section 04.

Executive Summary

Audit differences

We have identified a number of audit differences through out our audit as detailed in Section 04. This includes several adjustments within the LLDC financial statements which have resulted in a restatement of the prior period group balances in accordance with IAS 8. There are also five audit differences which management have chosen not to adjust.

A number of disclosure misstatements have also been identified during the audit, which have been discussed and agreed with management and corrected in the final statement of accounts.

Further detail on audit differences can be found at Section 04.

Other reporting issues

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

We plan to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts after issuing our audit opinion and therefore will certify the completion of the audit at that point. We have no other matters to report.

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the Greater London Authority. 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.

Where applicable we have identified those matters that we consider to be key audit matters. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit. In accordance with ISA (UK) 701 key audit matters are included in our auditor's report.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues;
- You concur with the resolution of the issues; and
- 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 Mayor.

Executive Summary

Control observations

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 are unknown to you.

We have no observations and improvement recommendations in relation to management's financial processes and controls.

Independence

Please refer to Section 08 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

Applicable to:

GLA Group

GLA SE

What is the risk?

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

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

Significant Risk

What judgements are we focused on?

We assess that the risk is particularly associated with:

- The journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Accounting estimates; and
- Significant unusual transactions.

What did we do?

We undertook our standard procedures to address fraud risks, which include:

- Inquiry of management about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- Assessing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for any significant unusual transactions.

What is the status of our work?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied in the preparation of the financial statements.

We have completed our work on journals testing and we have not identified any misstatements.

We identified the transfer of assets to the GLA Strategic Reserve LP as an unusual transaction in the year and have performed additional procedures over this transaction. This is also documented as a separate area of audit focus later on in this report.

Significant risk

Incorrect classification of capital spend

Applicable to:

GLA Group

GLA SE

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.

The potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override at the Greater London Authority due to the material expenditure incurred on supporting housing developments both as grant expenditure (financed by capital), and its financing of the functional bodies.

Significant Risk

What judgements are we focused on?

Revenue expenditure funded from capital under statue (REFCUS) represents a significant area of expenditure for the Authority (£1.7 billion in 2021/22).

If incorrectly financed from capital, this would have a significant impact on the General Fund balance and therefore the Council Tax requirement.

What did we do?

Our testing was focussed on REFCUS:

- We tested for appropriate classification and valuation, challenging where the classification was based on judgement;
- We confirmed that REFCUS journals had been appropriately posted with correct reversals in the Movement in Reserves Statement; and
- We reviewed the other side of the journals posted to REFCUS and confirmed that these were appropriate.

What are our conclusions?

Our testing of revenue expenditure financed from capital under statute has not identified any material misstatements.

Significant risk and key audit matter

E20 Onerous Contract Provision

Applicable to:

GLA Group

What is the risk?

The Greater London Authority Group consolidates E20 Stadium LLP's financial statements into its accounts.

When the E20 stadium commenced operations it became clear that for two of its three key contracts, the expenditure associated is likely to exceed the income received, rendering them onerous under IAS 37.

A material provision has therefore been recognised. This provision is updated annually based on judgements made by management in the E20 business plan. In 2021/22, this will need to be updated to reflect amendments to IAS 37. As a material, judgemental balance, the provision is susceptible to misstatement.

Significant Risk

Key Audit Matter

What judgements are we focused on?

A provision of £200m was recognised in the draft group accounts.

Management's judgement is that the valuation of the Stadium asset, which is based on the business plan, is an appropriate proxy for the impact of the onerous contracts and therefore for the onerous contract provision. The provision is based on a number of key judgements including:

- The discount rates applied to the level of net expenditure forecast in the business plan;
- The period over which cash flows are assumed to continue;
- The valuation of naming rights used in the model; and
- The costs included in determining the provision since only direct costs are attributable per the amendments to IAS 37.

Continued on next page

Significant risk and key audit matter

What did we do?

We addressed our risk through substantive testing. We:

- Reviewed the inputs into the provision calculation, most notably, the E20 5-year business plan (extrapolated to 10 years) - tested key elements back to source documentation and identified and challenged key judgements;
- Assessed the upsides and downsides in this forecast, as well as the known changes that have occurred since the forecast was produced and compared the inputs used in the calculation to the prior year actuals;
- Reviewed key contracts and their reflection in the business plan and provision calculation;
- Reviewed and reassessed the key contracts to confirm that these were still onerous, understood and documented if there have been any changes, and impact on the business plan. We also reviewed board minutes to see if there were any changes that have not been disclosed. We ensured that the key contracts were reflected appropriately in the business plan and provision calculation;
- Reviewed the updated technical accounting paper for the onerous contract provision and its alignment with the latest interpretation of IAS 37;
- Challenged the basis for the calculation (business plan) and specifically reviewed and ensured that the costs of the contract included in determining the onerous contract provision should be direct costs only or the net cost of honouring or delivering the contracts as per the amendments to IAS 37 (Onerous contracts - Cost of Fulfilling a contract)
- Identified and challenges the key judgements and assumptions used in the provision calculation (i.e. discount rates, period of forecast, income streams, expenditure etc);
- Used sensitivity analysis to test key assumptions and sceptically challenged whether the provision is reasonable on that basis;
- Ensured the consideration of unwinding of discount relating to the onerous contract provision and that it was treated and accounted for correctly;
- Involved and consulted with our specialist (Financial Reporting Group) as appropriate for the work performed.

Significant risk and key audit matter

What are our conclusions?

We assessed the completeness of costs and revenues captured and challenged the appropriateness of their inclusion. After management made specific adjustments to the costs and revenues included in the model we concluded that contract costs were the net cost of delivering the contracts as per IAS 37.

We have concluded that the inputs to the calculations were appropriate after reviewing it against the latest interpretation of the IAS 37 with the assistance of our specialists in our Financial Reporting Group.

We challenged:

- the discount rate which was based on the government gilt rate as at 31st March 2022 and the period of forecast (discounted up to the end of WHU contract) and determined that the baseline rate used was appropriate, but that the addition of 1% from year 51 of the contract onwards was not appropriate. As a result, management updated the adjusted model with the 1% additional discount removed;
- the use of inflation within the model;
- the allocation of costs and revenues between contracts related to the provision (UKA and WHU);
- the split of costs and revenues between pre- and post-UKA contract end, given the difference in contract length and that certain costs and revenues decrease after the UKA contract ends

We used sensitivity analysis to test key assumptions and came up with a most likely outcome within a range of reasonable valuations of the onerous contract provision. We have concluded that the onerous contract provision when adjusted to £231.9m lies within a reasonable range of valuations. We note that the provision is an estimate and highly dependent on the key assumptions.

We also challenged how, in line with the accounting standards, the unwinding of the discount relating to the provision was treated and presented within the financial statements.

We reviewed disclosures in the financial statements ensuring appropriate disclosure of the uncertainties and judgements.

For year ended 31 March 2022 this resulted in a revised onerous contract provision in the Statement of Financial Position of £231.9m. In the Income statement there was a net amount charged to operating expenses of £19.4m relating to the provision and a separate recognition within finance costs - unwinding of the discount in the provision of £3.1m.

- This also resulted in a prior year restatement in the Income statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes 9,41,43 and 44. The main adjustments are summarised as follows:
  - Operating expenses (related to provision) - 31 March 2021 amount of £68.2 million, not previously disclosed separately
  - Financing costs – Unwinding of the discount in the provision - 31 March 2021, amount of £1.8 million, not previously disclosed separately
  - Provision as at 1 April 2020, amount of £275.8 million, increased from £200 million
  - Provision as at 31 March 2021, amount of £209.4 million, increased from £200 million

Following these adjustments, the onerous contract provision has been established in accordance with requirements of IAS 37 and is fairly stated. The uncertainties related to the discount rate and basis of measurement are appropriately disclosed in the financial statements.

Significant risk and key audit matter

Risk of error in property valuations

Applicable to:

GLA Group

What is the risk?

The Greater London Authority Group balance sheet contains property assets that are material in value. The valuation is subject to a variety of complex assumptions. The unique and material nature of the London Legacy Development Corporation's non-current assets and the basis on which they are valued, means that small changes in assumptions when valuing these assets can have a material impact on the financial statements.

A similar risk exists in relation to GLAP's property assets, which are classified as property plant and equipment, investment assets or inventory. The classification impacts directly on the appropriate valuation basis.

Significant Risk

Key Audit Matter

What judgements are we focused on?

We focused on the assumptions that could have the biggest impact on property valuations within the accounts for LLDC and GLAP. This included the classification of the assets.

London Legacy Development Corporation holds material and unique assets which are classified as investment property within the financial statements. This classification determines the basis on which they are valued and there is a risk that any incorrect classification could have a material impact on the valuation of assets within the financial statements and the corresponding accounting entries.

The complexity of these valuations also means that small changes in assumptions such as yields, market rental levels and outstanding costs, can have a material impact on the valuation of these assets within the financial statements.

A similar risk exists in relation to GLAP's property assets, which are classified as property plant and equipment, investment assets or inventory. The classification impacts directly on the appropriate valuation basis.

Continued on next page

Significant risk and key audit matter

What did we do?

The following procedures were performed as part of our substantive testing which were performed by the component's teams for both LLDC and GLAP. The GLA group team exercised oversight and performed additional review procedures in these areas as follows:

We gained an understanding and evaluated key controls and governance surrounding property and inventory valuations and accounting.

We assessed the expertise and independence of management's valuation specialist by confirming their qualifications, independence, experience in the sector and the terms of their engagement with the GLA or subsidiary.

For assets held by LLDC, we obtained management's accounting paper and challenged 'the categorisation of assets as investment property in line with accounting standards including consultation with our EY technical and accounting specialists.

Following this process management re-visited their assessment of asset classifications which we had challenged, and this resulted in a transfer of assets from Investment Property and Property, Plant and Equipment assets under construction to Inventory.

For the Olympic Assets we:

- Challenged and confirmed the basis on which the assets are held and considered contra indicators such as the nature of the properties and the change in use of the land as development takes place which would suggest an alternative classification.
- Concluded that the Olympic assets are held for the income they generate and therefore meet the requirements of IAS40 to be classified as investment property.

For residential development assets we:

- Identified and agreed the key assumption made by management which is that the time at which physical work starts on development land is the trigger point at which development land meets the definition of inventory under IAS 2.
- Concluded that two of the development sites should be classified as inventory.

For the East Bank Site, we:

- Challenged management's intention to sell the retail units and concluded that a change in intention does not provide evidence of change in use and these should be classified as inventory under IAS 2.
- Critically reviewed the classification of infrastructure and public realm assets and concluded that the costs of constructing these assets are to enable the main investment properties to function as intended, and therefore classification as investment property remains appropriate.

Significant risk and key audit matter

Continued

- Engaged our EY specialists to review the contracts and development agreements for cultural assets to critically challenge the basis for classification focussing on the length of the lease term, the cashflows associated with the developments and the termination rights.

- Concluded that the cultural assets should be classified as inventory under IAS 2 and a provision for grant expenses representing LLDC's contributions towards the cost of the buildings should also be recognised.

On reaching the conclusions outlined above we:

- Reviewed the accuracy and completeness and judgements involved of the updated accounting policies, disclosures and adjustments through the accounts.

- Considered the impact of the adjustments on the prior period in accordance with the requirements of IAS 8 concluding that restatement of the prior period was required.

- Reviewed the accuracy of adjustments to restate the primary statements and evaluated the sufficiency of the related disclosures.

For all other assets held within GLAP we:

- Assessed the valuations methodology applied to ensure it was in line with the CIPFA/LASAAC Code of Practice on Local Authority Accounting, and validated the assumptions contained in the valuations with reference to source documentation including leases, tendering information and contracts. Where assumptions were based on Authority or Corporation plans such as planned affordable housing, we ensured that these assumptions were up to date, reflected in development progress and in the valuation.

- Tested classification of assets against the requirements of the CIPFA Code of Practice and relevant accounting standards including, IAS 40, IAS 16 and IAS 2.

- Reperformed valuation calculations for a sample of assets, verifying key inputs against source documents as part of this process.

- Engaged our internal valuation experts, who calculated a valuation range for a sample of assets to test whether or not the Group's key assumptions and valuations are within an acceptable range based on comparative market data for build costs. Tested that property additions and disposals had taken place in the year, and that the valuation had been appropriately updated for them.

- Agreed affordable housing assumptions to development agreements and targets and also obtained management representation as to the validity of the planned affordable housing assumptions with respect to key sites.

Significant risk and key audit matter

What are our conclusions?

As a result of the procedures described on the previous pages, audit adjustments have been made to the valuation and classification of assets held by LLDC which also impact on the GLA consolidated financial statements in both the current year and the prior period which has been restated in accordance with IAS 8.

We note that the nature of the transactions relating to land development within LLDC are complex and so too are the requirements of the associated accounting standards within the CIPFA Code.

As a result of our baseline procedures we have received the report from our valuation specialist and have identified that London Aquatic Centre and Copper Box Arena valuation were higher than considered supportable by our valuation specialists (draft accounts £13.1m; EY valuation specialists' range up to £8.6m). This has been raised as judgmental difference, which has been adjusted in the GLA group final statements.

From our review of the individual elements that made up the IP balance, we concluded there were a number of the assets which there was no basis to challenge further, as they clearly met the definition of IP in the Code with no indications of other classifications to the contrary. However, we identified the following subsets as those requiring more detailed investigation and further challenge to ensure they individually comply with the requirements of IAS40. These were :

- Olympic assets (the London Stadium, London Aquatics Centre, Copper Box Arena and Arcelor Mittal Orbit)
- Land held for residential development (specifically Chobham Manor and Eastwick & Sweetwater)
- East Bank, specifically:
  - Retail developments
  - Infrastructure and Public Realm
  - Cultural assets (namely the buildings being constructed for the BBC, University of the Arts London, Victoria & Albert Museum and Sadlers Wells)

Our conclusions with respect to each of these elements was as follows:

Olympic Assets

Management have confirmed that the Olympic assets are held for the income they generate and therefore meet the requirements of IAS40 to be classified as investment property. We have challenged this assumption and looked for contra indicators to this within IAS40, IAS 16 and the Code, specifically considering if they meet the definition of PPE. Whilst there are clearly judgements involved, our conclusion is that the Olympic assets are held for income purposes, do not meet the criteria for PPE and therefore are appropriately disclosed within investment property in the GLA Group financial statements.

Residential development

Management revisited their classification of land held for residential developments and concluded that, in line with IAS 40.57, Chobham Manor and Eastwick & Sweetwater (phase 1), should be reclassified to inventory. This is because they were effectively holding the land for sale given that the physical developments with a view of a sale had commenced in a previous accounting period. This therefore meets the criteria for demonstrable evidence of a change of use. Updated accounting policies reflect this, along with updated critical judgements disclosures and the revised classification is reflected in the prior period through a prior year adjustment.

Significant risk and key audit matter

What are our conclusions?

East Bank – Retail developments

The intention from management was to hold for sale and as there has been no change of use which would trigger meeting the requirements of IAS40.57 the retail developments should be accounted for as inventory under IAS2. The prior year balances for this have been adjusted.

East Bank – Infrastructure and Public Realm

Constructing these assets are costs necessary to enable the main investment properties to function as intended, and therefore we concluded these should remain within investment properties. This is consistent with large development programmes in the public and private sector and no other contra indicators have been identified. Therefore, no adjustment was required for these.

East Bank – Cultural assets

Given all four assets are subject to individual and distinct contracts, we engaged accounting specialists to review each contract and associated development agreement to support our conclusions. We concluded that they should be assessed as a finance lease under 4.2.2.2 and 4.2.2.10 of the Code as the lease transfers substantially of the risk and reward to the lessee, the asset is of a specialised nature in that it has been custom built. For the BBC we noted a break clause, however we have fully considered this and the likelihood this break clause will be enforced is considered unlikely. We therefore consider the initial intention under IAS40 to be that they are being developed for sale under finance lease and so these buildings should be accounted for as inventory under IAS2 and IPSAS12 rather than IP.

As inventory, and in line para 5.1.2.7 – 5.1.2.9 of the Code, the valuation approach will vary by building. Where LLDC are receiving contributions (BBC and UAL), they will be valued at the lower of cost and NRV, where no contributions are being received they will be valued at the lower of cost and replacement cost (V&A and Sadlers Wells).

We considered if the £150m costs to complete the cultural assets required a provision. Following detailed discussions with financial reporting specialists, it was concluded that under IAS37 the required treatment was to recognise that LLDC are essentially gifting or donating the assets as a grant - to varying degrees depending on the elements of contributions required from the recipients in the individual contracts. Therefore, the correct treatment under IAS 37 requires LLDC to provide for estimated grant expense in full as soon as an enforceable contract has been entered into (or date a constructive obligation is created if earlier). For those where a contribution is being received this is the estimated net grant expense (BBC & UAL), for those with no contributions this is the grant expense (V&A and SW).

Again, we note significant judgement is involved here and accounting policies and related disclosures have been updated. Again, given the nature of this, prior year balances have been adjusted.

Significant risk and key audit matter

What are our conclusions?

As a result of the amendments identified above, material changes were required to both the 21/22 GLA group accounts and the prior year comparatives to change:

- The balance sheet to:
  - reclassify assets out of IP and PPE (AUC) and into inventory
  - recognise a provision in relation to LLDC's contribution to the East Bank Cultural Assets
  - defer the income received from East Bank partners until buildings are handed over to them
- The CIES to:
  - Reverse out costs and income previously recognised eg, through IP revaluations and contributions from East Bank partners
  - Recognise the movements on the provision required
- The Cashflow statement and Movement in Reserves Statement to reflect the above as necessary
- The disclosures in relation to the following notes:
  - Accounting policies; IP, Inventory, Rev Rec
  - Critical Judgements and Estimation uncertainty notes
  - Cashflow and MiRs notes
  - Reserves
  - Gross expenditure
  - Other operating I&E
  - Investment Property
  - PPE
  - Current & non-current liabilities

The main adjustments are summarised as follows:

The net impact on the current year balance sheet is to:

- decrease non-current assets by £87m;
- increase current assets by £160m;
- increase l/t and s/t liabilities by £281m;
- decrease in reserves of £207m.

Significant risk and key audit matter

What are our conclusions?

For the prior year balance sheet the net impact is to:

- decrease non-current assets by £26m;
- increase current assets by £110m;
- increase long term and short term liabilities by £315m;
- decrease in reserves of £232m

The net impact on the current year CIES is to:

- decrease Net Cost of Services by £109m;
- decrease other operating expenditure by £9m;
- decrease the (credit) of change in fair value of investment properties by £76m;
- increase financing & investment expenditure by £58m
- decrease capital grants and contributions by £17m

For the prior year CIES the net impact is to:

- decrease Net Cost of Services by £30m;
- decrease other operating expenditure by £28m;
- increase the (charge) of change in fair value of investment properties by £45m;
- decrease capital grants and contributions by £26m

As noted above the nature of the transactions relating to land development within LLDC are complex and so too are the requirements of the associated accounting standards within the CIPFA Code. It was therefore noted that accounting treatment of investment properties presented in the draft financial statements was not fully compliant with requirements relating to the classification of its property portfolio and in line with the relevant accounting standards, including IAS40. We recommend that management continues to robustly review the accounting treatment of the Group's property portfolio, ensuring presentation and disclosure are in accordance with accounting standards and its own accounting policies.

Significant risk

Valuation of Long Term Debtors measured at Fair Value through Profit and Loss

Applicable to:

GLA Group

GLA SE

What is the risk?

The Authority holds a material portfolio of long-term debts with various counterparties, including; functional bodies, subsidiaries, other group bodies and organisations outside of the GLA Group.

Debtors measured at fair value through profit and loss (FVTPL) are carried at fair value. Where quoted market prices are not available, valuation techniques are used to determine the fair value. These include models using both observable and unobservable market inputs. The valuation techniques involve judgement regarding the valuation models used and the inputs to these models which include forecast cash flows and appropriate market interest rates.

Significant Risk

What judgements are we focused on?

We focussed on the following significant assumptions:

- The classification of the debtor in accordance with IFRS 9 as this in turn drives the valuation basis and whether any expected credit losses should be considered;
- Whether the discount rate used to discount future cashflows in the valuation of the long term debtors was appropriate and consistent with independent sources.

What did we do?

- We considered the work performed by the Authority's specialist Kroll (formerly Duff & Phelps) who were engaged to value the long term debtors measured at FVTPL. We confirmed that the scope of the work was appropriate and the specialists had the appropriate experience and professional capabilities.
- We engaged our EY Complex Securities team to review the valuation of a sample of loans in accordance with IFRS 13. Based on the work performed the assumptions used were considered to be appropriate and the valuations supportable.
- We also ensured appropriate disclosures within the financial statements.

What is the status of our work?

We have completed our work on long term debtors measured at fair value through profit and loss. Having completed the work we have not identified any material misstatements.

The valuation of long term debtors has been appropriately recorded within the group and single entity financial statements.

Significant risk and key audit matter

Valuation of loan investments

Applicable to:

GLA Group

What is the risk?

The Greater London Authority Group consolidates Greater London Authority Land and Property (GLAP) Ltd financial statements into its accounts.

GLAP holds a portfolio of loan investments in property developers, part of a wider strategy to assist in achieving the Mayor's affordable housing objectives. This portfolio is material to the GLA Group financial statements.

Management engage with external specialists to assist with the valuation of loan investments.

The valuation is driven by a number of complex assumptions, a small change in these assumptions could lead to a material misstatement within the valuation.

Significant Risk

What judgements are we focused on?

The portfolio contains a combination of loan investments, which are supported by collateral and those that do not have any collateral attributed to them.

The investments that are supported by collateral do not have a complex IFRS 9 calculation and the focus of our audit work is on the valuation of the collateral, to ensure that it is sufficient to cover the outstanding loan amount, without the need for an additional expected credit loss. The valuation of the collateral is subject to a number of judgements and assumptions which could impact on the level of ECL attributed.

What did we do?

- Assessed the work performed by GLAP's specialist, who are engaged to value the gross development value of the assets, which form the basis of the value of collateral;
- Tested a sample of loan investments including, where relevant, the value of collateral, to supporting documentation and engaging our EY Real Estates specialist team to review the valuation of the collateral.
- For those loan investments without collateral, we engaged our EY Complex Securities team to review a sample of loan investments to determine whether the approach and assumptions are supportable. For these investments we also determine whether an impairment review has been undertaken and the reasonableness of credit losses, ensuring that the accounting is compliant with the requirements of IFRS 9.

What is the status of our work?

We identified that an insufficient expected credit loss had been recognised on the £90m loan investment with Barking Riverside in the GLAP draft financial statements.

Based on our procedures an expected credit loss of £19.3m should have been recognised in the prior year and an additional expected credit loss of £5.1m should have been recognised in 21-22. The full credit loss of £24.4m has been reflected in 21-22 in the GLA group accounts.

Following this adjustment, the valuation of loan investments is supportable and credit losses are appropriately recognised, and the accounting for the loans is consistent with the requirements of IFRS 9.

Other areas of audit focus

What is the risk/area of focus?	What did we do?
Pension liability valuation The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by London Pension Fund Authority (LPFA). The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2022 this totalled £255.8 million for the Group. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We: ▸ Assessed the conclusions drawn on the work of the actuary, Barnett Waddingham, by the Consulting Actuary, PWC, who are commissioned by the National Audit Office, including the use of our own pensions specialists; ▸ Reviewed and tested the accounting entries and disclosures made in relation to IAS19; ▸ Under the revised ISA540 on estimates we are required to evidence that the actuary's model for calculating the estimate is correct and data has been entered correctly. Considering the nature of this requirement, we have engaged our EY Pensions Specialists to recalculate the liability based on the assumptions and data in the IAS 19 reports to confirm accuracy. Using this model we have been able to independently reconcile our roll forward with the figures produced by the actuaries as at the disclosure date to a difference of less than 1%. Having implemented the above checks, it is our view that the pension liability as at 31 March 2022 is supportable. ▸ We also liaise with the auditors of the London Pension Fund Authority, the administering authority, to obtain assurances over the information supplied to the actuary in relation to the GLA. We have completed the above procedures and have not identified any misstatements. As part of the review of post balance sheet events, management and auditors are required to consider whether, on the date of final sign-off, the accounts still represent a true and fair view, having regard to all information which is available, including information which has become available after the end of the reporting period. The pension liability entries in the 2021/22 draft financial statements are based upon key judgements and estimates from the 2019 triennial pension fund valuation, rolled forward to 31 March 2022 under IAS 19 accounting principles however, the 2022 triennial valuation has since become available which provides more up to date information over the valuation of individual members within the scheme as at the 31 March 2022. Management has obtained a revised IAS 19 report for GLA based on the updated membership as at 31March 2022. The result is a decrease to the pension liability of £20.3m with a corresponding impact on the pension reserve. Management has chosen not to adjust the financial statements for this item on the basis that the update reflects an improved position for the fund and feels it is prudent not to adjust. Management has also considered the impact for LLDC and determined that the movement in the LLDC pension liability is also not material to the Group.

Other areas of audit focus

What is the risk/area of focus?	What did we do?
Business Rates Appeals Provision The business rates appeals provision is a highly material estimate at £371.3 million as at 31 March 2022. GLA's share of the business rates appeals provision is calculated as 37% of the total appeals provision for each of the 33 London billing authorities. In estimating their provision each London billing authority has regard to the settlement rates of historical appeals and the level of challenges unresolved at the financial year end as well as risks of future challenges which have a backdated impact including those arising from material changes of circumstances.	We: ▸ Reviewed the steps taken by the Authority to ensure that the provision is reasonable and compliant with IAS 37; ▸ Agreed the provision to appropriate underlying information, such as business rates returns and financial statements; ▸ Reviewed the movement in provision made by individual London boroughs and challenged any movements that fell outside our expectations; and ▸ Tested accounting entries to ensure they have been correctly reflected in the financial statements. Following the production of the draft financial statements, NNDR3 returns for 2021/22 were updated by four London Boroughs after the date of the original draft financial statements. The revised returns result in an increase of £24m to the NDR appeals provision, a decrease of £5.8m to Creditors, an increase of £9.7m to debtors and a £27.9m increase to expenditure. Management has adjusted the financial statements for these revised NNDR3 returns.

Other areas of audit focus and key audit matter

What is the risk/area of focus?	What did we do?
Going concern – Key Audit Matter CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 states that an Authority's financial statements shall be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription. However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to ensure appropriate disclosure within the financial statements of the risks faced by the financial authority and the key assumptions in determining that there is no material uncertainty. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.	Management prepared a going concern assessment which forms the disclosure in the financial statements. In their assessment management has modelled a prudent central case, upon which the budget is based, and an optimistic case. The prudent central case assumes business rates income is maintained at current levels with an inflationary uplift from government of 2.5% and council tax is increased by the 1.99% allowable by government and has a 1% increase in the council tax base. Management did not prepare a downside case as they do not consider there to be enhanced risk over these assumptions. As the audit team, we undertook our own stress testing in order to consider the impact of a worst-case scenario on both the reserves and cash position. We performed the following procedures: ‣ We read the Narrative Report and Financial Statement disclosures in relation to the financial statements being prepared on a going concern basis to ensure that they were consistent with our knowledge of the Authority's financial position; ‣ We assessed the information used in the going concern assessment for consistency with management reporting, and information obtained through auditing other areas of the business, obtained an understanding of the business planning process and challenged the underlying assumptions through testing to supporting evidence, for the going concern period to 31 May 2024 from our sign off date for evidence of bias and for consistency with our knowledge of the organisation; ‣ We compared actual performance for the period to 31 March 2022 to the budget for that period to assess the accuracy of historical data; ‣ We compared the actual cash position to the prior year forecast cash position to assess the accuracy of management's cashflow forecasting. This included challenging management on significant variations and corroborating these to supporting evidence; ‣ We assessed the levels of current and forecast borrowing against the Prudential Borrowing Limit and confirmed that the Authority is within that limit and has no plans for further borrowing within the going concern period. ‣ We undertook reverse stress testing on management's base case scenario to understand the potential circumstances that could result in reserve shortages within the going concern period. This included assuming high levels of inflation, a reduction in the council tax base and no unconfirmed grant receipts in both 2022/23 and 2023/24. In addition, we undertook reverse stress testing on management's cashflow forecast to assess the impact on liquidity and the need to borrow. This included assuming increased costs for inflation and non-repayment of loans from subsidiaries. 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 Authority's ability to continue as a going concern for a period to 31 May 2024.

Other areas of audit focus

What is the risk/area of focus?	What did we do?
Accounting for the transfer of Residential Mortgage Backed Securities In the year ended 31 March 2022 the Authority has transferred £1.6 billion of assets into the GLA Strategic Reserve LP of which the GLA is a limited partner. This is a material and unusual transaction in the accounting period and there is a risk that the accounting treatment for this disposal in both the single entity and group accounts does not reflect the underlying nature of the transaction.	Our identified risk was based on the transfer of RMBS assets however other assets, along with the RMBS assets, were are also transferred to GLA SR LP during 2021-22. This included strategic investments, fixed term securities and cash. Our audit procedures were performed on all material classes of assets transferred during 2021-22. We performed the following procedures: ‣ We agreed that assets had been transferred at the appropriate value in accordance with IFRS 9 and that fair values were supported by third party evidence; ‣ We confirmed that the GLA partnership contribution of £86.7m is classified correctly as an equity instrument under IAS 32 and that GLA's share of this contribution is recognised appropriately within the financial statements; ‣ We challenged the classification of financial assets in GLA SR LP in accordance with IFRS 9; ‣ We agreed management's consolidation of the assets in the GLA Group accounts and confirmed that intercompany transactions were appropriately eliminated; and ‣ We reviewed and challenged the disclosures in respect of the transfer. Having completed these procedures, we identified: • disclosure errors in Note 29 (Long term Investments) whereby an intragroup elimination was adjusted for on the incorrect lines within the note, and • disclosure errors in Note 12 (Financing and Investment Income and Expenditure) whereby I&E intercompany entries with GLA SR LP were not eliminated on consolidation. Management has updated the group accounts for these items. We also noted a disclosure error in the classification of the loan notes in received in consideration for the assets transfer under IFRS 9 and the narrative disclosures will be corrected to reflect this.

Other areas of audit focus

What is the risk/area of focus?	What did we do?
Sufficiency of allowance for expected credit losses The Authority recognises expected credit losses on all of its financial assets held at amortised cost and at Fair Value through Other Comprehensive Income. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. In 2021/22 the total expected credit loss recognised in the draft financial statements is not material however the calculation is driven by the loss given default assumption which is determined by the value of collateral held against the loan values. Any misstatement in the valuation of collateral could have a material impact on the expected credit loss.	We have selected sample of loan investments held at amortised cost and have obtained the underlying valuations for the collateral. We have then engaged our EY Real Estate team to assist us in determining whether the valuation of the collateral is materially accurate such that there would not be a material impact on the expected credit loss. We have completed our work in this area in respect of the GLA single entity balances and have not identified any misstatements. As explained on page 23, we identified that an insufficient expected credit loss had been recognised on the £90m loan investment with Barking Riverside in the GLAP draft financial statements. Based on our procedures an expected credit loss of £19.3m should have been recognised in the prior year and an additional expected credit loss of £5.1m should have been recognised in 21-22. The full credit loss of £24.4m has been reflected in 21-22 in the GLA group accounts.

03 Audit Report

Audit Report

Due to the length of the long form audit report, we have sent the draft wording under separate cover

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 differences

We highlight the following misstatements greater than £45m that were identified during the course of our audit which have been corrected by management:

- £46.7m decrease to group long term debtors with a corresponding decrease of £58.7m to group long term creditors and an increase of £12m to group unusable reserves as a result of an adjustment to intra-group transactions for debtors classified as fair value through profit and loss.

Errors Identified within LLDC financial statements that impact on the GLA Consolidated Group accounts:

- As discussed on page 14, we identified misstatements in the basis of valuation of the onerous contract provision as well as the presentation of the associated comprehensive income and expenditure statement charges. For 2021-22 audit adjustments have been made to increase the provision by £31.9m. As a result of this there is also an increase of £19.4m to Group Net Cost of Services Expenditure and £3.1m to Group Financing and Investment Income and Expenditure reflecting the unwinding of the discount. We considered the impact of the adjustments on the prior period in accordance with the requirements of IAS 8, concluding that restatement of the prior period was required. Adjustments have been made to the 2020-21 position to increase the value of the provision by £9.5m and the 2020-21 opening balance of the provision has increased by £75.8m. In 2020-21 there is also a decrease of £68.2m to Group Net Cost of Services Expenditure and increase of £1.8m to Group Financing and Investment Income and Expenditure as a result of the adjustments.

Errors identified in the prior year Statement of Cashflows within LLDC and related disclosures:

- Note 25 – PPE note recorded £41,423k as both additions and disposals. As this expenditure should have been classified as revenue expenditure funded from capital under statute (REFCUS), it should not be recorded in Note 12 and is therefore removed from the additions and disposals lines, with a net nil impact.
- An amount of £33,459k was reflected in the Statement of cash flows in the investing activities cashflow line "Purchase of property, plant and equipment, investment property and intangible assets". As this does not represent cash flows, the amounts need to be removed from this line and recognised as 'Property, plant and equipment assets written out' presented under the 'Adjustment to net deficit for non-cash movements' rather than under Investing activities as it does not involve receipt of cash. The reclassification impacts on both Statement of Cash Flows and Cash Flow notes.

These errors do not affect the Group's year end reported cash balance or PPE valuation in the prior year.

Audit Differences

Summary of differences

Errors identified in the current and prior year relating to reclassification of property to inventory within LLDC:

As described in detail on page 20 of this report, a review of the investment property balance identified a number of adjustments required to the classification of certain assets from IP and PPE to inventory. The resulting change on specific line items within the balance sheet is summarised as follows:

	19/20	20/21	21/22
Long Term Assets:			
PPE	(£115.0m)	(£131.0m)	(£172.8m)
IP	£110.7m	£104.6m	£86.0m
Current Assets:			
ST Debtors	(£13.8m)	(£2.1m)	(£1.6m)
Inventories	£92.1m	£112.2m	£161.9m
Current Liabilities:			
Short term Creditors	(£59.1m)	(£55.2m)	(£224.5m)
Long Term Liabilities:			
Long Term Creditors	(£232.9m)	(£260.1m)	(£56.6m)
Reserves:			
Usable Reserves		(£33.4m)	(£76.6m)
Unusable Reserves	£218.2m	£265.0m	£284.3m

There has also been a number of changes to disclosures within the Group accounts as a result of the audit work performed. Significant changes include:

- A disclosure error was identified in the prior year financial instruments disclosure whereby the intragroup adjustment had been incorrectly processed within the consolidation exercise performed by management. This has resulted in a restatement of £416.6m to Note 50a Group Long Term Debtors. There is no impact to the total Group Long Term Debtors as a result of the restatement.
- Enhanced disclosures at Notes 5, 25, 26 and 37 reflecting the key judgements and estimation uncertainty involved in the classification and measurement of property valuations.
- Enhanced disclosures on the Joint Venture relationship with Barking Riverside Ltd in accordance with IFRS 12.
- Additional related party disclosures to include Studio 3 Arts, UCL and Pembroke House

Audit Differences

Summary of uncorrected differences

In addition 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 Mayor and provided within the Letter of Representation:

- As explained on page 20, management has obtained a revised IAS 19 report based on the updated membership as at 31March 2022. The result is a decrease to the pension liability of £20.3m with a corresponding impact on the pension reserve. Management has chosen not to adjust the financial statements for this item on the basis that the update reflects an improved position outside the time period and feels it is prudent not to adjust. They also consider that the movement within LLDC pension liability is not material, however we have not yet confirmed the value or its impact on overall unadjusted differences. Management plan to adjust for this item within the 22-23 financial statements.

- In the prior year sample testing we identified three invoices accounted for as expenditure that did not relate to 20/21. The total value of these combined invoices was £64,645. Since this error was identified in our representative sample testing we extrapolated the error across the untested population which gave a projected misstatement of £6.6 million. Since this projected error was uncorrected by management in the prior year it has a 'turnaround' effect in the current year and is reported as an uncorrected misstatement in 21/22.

- Within GLAPs financial statements, an error of £3.46m that related to an inventory disposal in 18/19. In 18/19 inventory of £3.46m was disposed off and the revenue was recognised at this time but, due to an oversight, the balance of the land was not disposed of in 2018/19. This was identified in 21/22 and the cost of £3.46m written out in 2021/22 correcting this. Since this correction has happened in the wrong year it has a 'turnaround' effect in the current year and is reported as an uncorrected misstatement in 21/22.

- As per page 23, in GLAPs financial statements, we identified that an insufficient expected credit loss had been recognised on the £90m loan investment with Barking Riverside in the GLAP draft financial statements. Based on our procedures an expected credit loss of £19.3m should have been recognised in the prior year and an additional expected credit loss of £5.1m should have been recognised in 21-22. The full credit loss of £24.4m has been reflected in 21-22 in the GLA group accounts however since £19.3m of this loss should have been recognised in the prior period it has a 'turnaround' effect in the current year and is reported as an uncorrected misstatement in 21/22.

- As a result of the adjustment made to the property balances as detailed in this report, the deferred tax and corporate tax balances within LLDC have been updated. The revised tax balances have not been adjusted for in the group financial statements and are reported as a judgmental difference which has a £5.1m increase in the tax charge within the CIES.

Audit Differences

Summary of uncorrected differences

Uncorrected misstatements 2022 (£million)	Effect on the current period	Net assets (Decrease)/Increase				Impact on reserves
	Comprehensive Income and Expenditure Statement Debit/(Cr	Assets current Debit/(Credit)	Assets non current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)	Impact on brought forward reserves
Judgemental Differences:						
1) Pension Liability – post balance sheet adjustment for triennial valuation (excl. LLDC impact)					20.3	(20.3)
5) LLDC updated tax	5.1			(3.1)		(2.0)
Cumulative effect of uncorrected misstatements before turnaround effect	5.1			(3.1)	20.3	(22.3)
Turnaround effect of prior year uncorrected misstatements:						
2) Projected expenditure misstatement	(6.6)					6.6
3) Disposal of inventory	3.4					(3.4)
4) Expected credit loss for loan to Barking Riverside	19.3					(19.3)
Cumulative effect of uncorrected misstatements, after turnaround effect	21.2			(3.1)	20.3	(38.4)

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

Note 1: turnaround effect is the impact of uncorrected misstatements identified in the prior period, on results of the current period. As explained above, we identified a extrapolated misstatement in respect of three cut-off errors in other service expenses which had an I&E impact of £6.552 million. As this was not corrected in the prior year it is also impacts on the current year financial statements. In addition to this there has also been two misstatements identified (disposal of inventory for £3.4 million and ECL of £19.3 million) which relate to prior periods that have been corrected in the current period and therefore have a turnaround impact on the financial statements for the year ended 31 March 2022.

05 Value for Money

Value for money

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

The Authority 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.

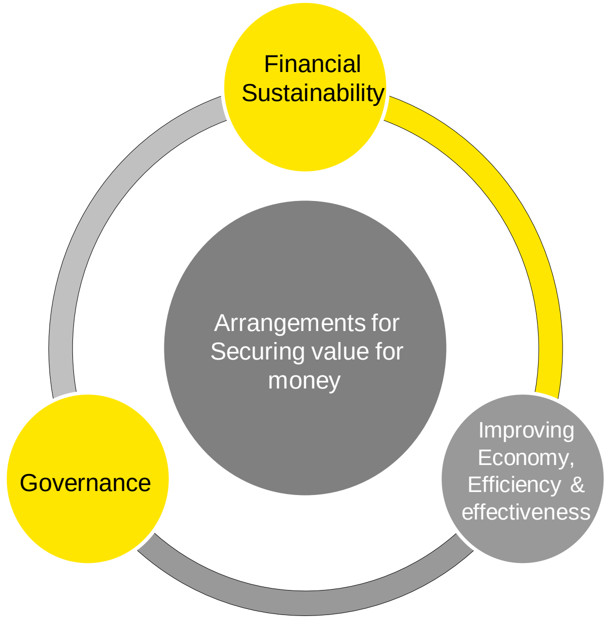
As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect 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 and status of our work

We have previously reported in our Audit Plan update that we had identified a risk in relation to governance and structure of the GLA Strategic Reserve LP and in relation to the arrangements in place for financial budgeting and planning for 2022/23.

We have revisited our risk assessment during the course of our audit and identified an additional VFM risk of significant weakness in relation to how the Authority procures services.

We have completed our planned procedures in response to our significant risks and have determined that there is a significant weakness in the Authority's arrangements in respect of how it monitors and ensures appropriate standards, such as meeting legislative and regulatory requirements, are met where it procures services. This is an arrangement under the governance criteria. As a result we have reported by exception details of the significant weakness in the auditor's report (see Section 03). We plan to issue the VFM commentary by the end of July 2023 as part of issuing the Auditor's Annual Report.



Value for Money

Responding to a risk of significant weakness in VFM arrangements		
What is the risk of significant weakness?	**What arrangements did this impact?**	**What did we do?**
Finance arrangements and sustainability The future financial position of the GLA remains uncertain over the medium term. In particular uncertainties arise over the level of retained business rates income the GLA will receive in future years, future levels of grant income and the outcome of the anticipated fair funding review. This combined with the impact on the council tax and business rates tax base, arising from the long term social and economic impact of the COVID-19 pandemic, make forward planning challenging for the organisation.	**Financial Sustainability:** How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them How the body plans to bridge its funding gaps and identifies achievable savings	Our approach focused on: • What approach the Authority had to medium term financial planning during 2021/22, and how assumptions were used in the preparation of the 2022/23 budget and MTFS; and • What the arrangements are to assess and assure that the available reserves and cash balances are adequate to support the MTFS and that they are used in a sustainable manner.

Findings and recommendations

The GLA has a dual committee structure (Budget & Performance Committee and Corporate Investment Board) to enable monitoring and challenge of budgets. The Budget and Performance Committee meets at least quarterly and the Corporate Investment Board meets weekly.

Based on our review of the Authority's minutes, documents and reports presented at relevant Committee meetings, the Authority has the arrangements in place that we would expect to enable it to carry out its financial plan and manage its resources effectively. This ensures the Authority can continue to deliver its services.

The Mayor's Budget Guidance included a prudent central case scenario that covered the years 2021/22 to 2024/25. The Authority had optimistic scenario planning alongside this but made It clear that functional bodies should prepare their budgets based on the prudent central case. We have reviewed the changes between the initial budget and final approved budget and consider them to be appropriate.

The Mayor's Budget Guidance for 2021/22 gave criteria on the utilisation of reserves including specifying expected movements in reserves during 2021/22 through to 2025/26. We deemed the estimates to be prudent, given the current economic environment, as they had been reduced. The estimates were influenced by the changes in the budget as a result of reduced funding, which filtered through to savings and eventually reserves. For 2022/23, the Authority estimates its total reserves will decrease by £752m and is driven largely by an use of the Business Rates Reserve.

Review of the cashflow balances for GLA indicates they remain in a positive position throughout 2022/23 and are expected to do so into 2023/24. The cashflow balances have factored in decreases to income, as well as reduced expenditure and utilisation of reserves.

Value for Money

Responding to a risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
Governance and structure of the London Strategic Reserve The GLA has established a Scottish Limited Partnership structure for the London Strategic Reserve (LSR) named GLA Strategic Reserve LP. A wholly owned subsidiary of London Treasury Limited (LSR GP Ltd) has been created as General Partner of the GLA Strategic Reserve LP and the GLA has been designated as a limited partner. The structure has been set up to facilitate co-investment from London Boroughs and other third parties which are not functional bodies of the GLA and are therefore not permitted as participants of the Group Investment Syndicate (GIS). In the year ended 31 March 2022, £1.6 billion of assets has been transferred into GLA Strategic Reserve LP. As a new addition to the GLA structure, there is a risk that appropriate governance arrangements are not yet in place and that the structural arrangements of the subsidiary are not appropriate based on the future plans of organisation.	**Governance**: How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	Our approach focused on: • Review of the advice taken on the establishment of the London Strategic Reserve (LSR) structure to ensure that the decision is supported by a clear rationale and supported by appropriate legal advice and due diligence as well as aligns with the GLA's principal purpose. • Review of the governance arrangements in place for the subsidiary and how those arrangements support informed decision making.

Findings

Having completed our review we concluded that the structure established for the London Strategic Reserve is supported by appropriate legal advice and formal decision making. The intention of the Fund is to deliver collaborative working with other Local Authorities in London enabling the GLA to share its treasury management resources which aligns with the GLA's purpose of promoting economic development and wealth creation in Greater London.

The fund is supported by specialist service providers, including the Alternative Investment Fund manager, depositary, administrator and portfolio managers demonstrating high level independent oversight to allow for informed decision making. During 2021-22 there has been an Investment Committee in place which has considered and approved strategic investments having been provided with independent and specialist information. As part of the new fund structure a Limited Partner Advisory Committee (LPAC) will also be created to preserve the key governance rights of the GIS participants.

We have not identified any evidence of a significant weakness in arrangements in performing our procedures.

Value for Money

Responding to a risk of significant weakness in VFM arrangements		
What is the risk of significant weakness?	**What arrangements did this impact?**	**What did we do?**
Procurement Arrangements During the course of the audit we were notified by the Director of Executive Resources that the GLA had received challenge to the procurement process, which was run during 2021/22, on two significant events contracts involving two separate parties. As a result of the challenge, the GLA made the decision to re-wind and re-run the procurement one of the contracts. There is a risk that appropriate policies and legislation has not been followed during 2021-22 which could leave the GLA susceptible to high legal costs and/or periods whereby contracts for services are not in place.	**Governance:** How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards where it procures or commissions services.	Our approach focused on: • Review of management's response detailing the nature of the issue and conversations with relevant officers, if applicable, to understand whether there are any significant weaknesses in controls that are pervasive across the procurement function; • Understanding the actions taken by management to respond to the issue and any investigations undertaken, either by management or internal audit, and whether these are sufficient to address any weaknesses.

Findings

During the year ended 31 March 2022, elements of GLA's policies and procedures were not followed in two procurements exercises resulting in the need for corrective action and a replacement procurement exercise. Had the initial procurement process been continued GLA may have been exposed to potential financial loss or reputational damage. This issue is evidence of weaknesses in proper arrangements for governance, i.e., how the body ensures it makes informed decisions and properly manages its risks, including how it monitors and ensures appropriate legislative and regulatory requires are met when it procures services. We recognise that while the risk of procurement challenge from unsuccessful bidders is capable of being mitigated, this risk may not be capable of being eliminated completely, because there may be a number of drivers for such a challenge, some of which may be outside the Authority's control.

In forming our conclusions, we have reviewed documentary evidence pertaining to both procurements exercises, including the oversight exercised by GLA over the processes undertaken on its behalf. This review included consideration of the control framework in place, the legal advice taken by GLA to support the decisions made and the use of EY specialists.

Management has taken steps to rectify the weaknesses in the specific procurements impacted and has undertaken a full review to identify any further improvements that may be needed and has taken actions to implement the findings. Management will need to ensure that the control framework now remains appropriately designed and monitored to mitigate the risk of future non-compliance.

06 Other reporting issues

Other reporting issues

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

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

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

Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors.

We cannot issue our Audit Certificate until these procedures are complete.

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 Authority's financial reporting process. They include the following:

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

We have no other matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

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

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 of which you are not aware we do however raise the following recommendations:

We note that LLDC has a unique remit and purpose in managing the group's responsibilities in relation to the area in and around the Queen Elizabeth Olympic Park. This means the nature of the transactions relating to land development and the management of the group's assets are complex and so too are the requirements of the associated accounting standards within the CIPFA Code in respect of these assets. As the development of the area continues it is important to ensure that this highly complex accounting reflects the latest fact pattern and technical views in relation to that. After an extensive review during the course of the audit it was concluded that accounting treatment of investment properties presented in the draft financial statements was not fully compliant with requirements relating to the classification of its property portfolio and in line with the relevant accounting standards, including IAS40. This resulted in material misstatements in the current and prior year financial statements, which management worked promptly to correct. We have made recommendations to component management to continue to robustly review the related accounting treatment of the onerous contract, cashflow statement accounting and of the property portfolio, ensuring presentation and disclosure are in accordance with accounting standards and its own accounting policies.

We recommend that GLA Group management monitors the actions taken by components to improve reporting, and considers the impact on group reporting responsibilities.

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 Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the 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. We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

Description of service	Related independence threat	Safeguards adopted and reasons considered to be effective
Audit of the GLA's financial statements, including value for money arrangement and whole of government accounts	Self-interest	We are also auditors of the component entities of the GLA, GLAH/P, LPC, LLDC Group and OPDC. We have separate audit teams and different signing partners between the GLA and the component entities. Therefore, while we have the ability to operate as a team to reduce duplication, there is different challenge and review at partner level of the work performed to ensure segregation.
Audit of the financial statements of GLAH/P	Self-interest	We are also auditors of the component entities of the GLA, GLAH/P, LPC LLDC Group and OPDC. We have separate audit teams and different signing partners between the GLA and the component entities. Therefore, while we have the ability to operate as a team to reduce duplication, there is different challenge and review at partner level of the work performed to ensure segregation.
Audit of the financial statements of London Power Co. Ltd (LPC)	Self-interest	We are also auditors of the component entities of the GLA, GLAH/P, LPC LLDC Group and OPDC. We have separate audit teams and different signing partners between the GLA and the component entities. Therefore, while we have the ability to operate as a team to reduce duplication, there is different challenge and review at partner level of the work performed to ensure segregation.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work.

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Final Fee (Note1) 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
GLA audit fee – Code work	90,039	90,039	84,315
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 2)	123,460	123,460	90,232
Revised Proposed Scale Fee	213,499	213,499	174,547
Additional Areas:			
Impact of Covid-19	-	-	20,249
Prior Year Adjustments	3,140	-	-
Quality or preparation issues	-	-	1,908
Technical Accounting issues - LLDC Property	20,680	-	-
Technical Accounting issues - Asset Transfer	4,010	-	-
VFM Risk - Procurement	12,600	3,370	-
VFM Risk - GLA SR LP	3,370	3,370	-
GLA audit fee – Scale fee variation	43,803	6,740	22,157
Total GLA audit fee	258,202	220,240	196,704
Non-audit work - GLA Summary Accounts	4,500	4,500	4,500
Total fees	262,702	*224,740*	*201,204*

All fees exclude VAT

Note 1 – The final proposed fee presented here is still subject to agreement with management and PSAA.

Note 2 - We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. A combination of pressures is impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. As a result of these factors, we are proposing an increase in the scale to £123,460 for GLA SE and Group. This will be subject to approval by PSAA, for the 2020/21 audit year PSAA agreed this fee at £90,232 representing 73% of our submission.

Independence

The final total scale fee variation or 2020/21 has been approved by PSAA at a value of £112,389 as reflected above. The scale fee variation for 2021/22 presented above will be subject to approval by PSAA and will also need to be agreed with management.

The fees set out here are for the audit of GLA single Entity and Group. Fees associated with subsidiary companies will be communicated to those organisations within the planning documents prepared for those audits.

Other communications

EY Transparency Report 2022

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

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

ey-uk-transparency-report-2022.pdf

09 Appendices

Appendix A

Audit approach update

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

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

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

There were no significant changes to our audit approach from the prior year. We carried out a fully substantive audit on all balances.

Summary of communications

Date	Nature	Summary
18 January 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss key audit risks and audit planning
18 February 2022	Report	The audit planning report, including confirmation of independence, was issued to the GLA.
20 May 2022	Report	The audit planning report update, including VFM risk assessment, was issued to the GLA.
24 May 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss financial position, risks and significant transactions.
19 July 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss progress on the audit work and VFM arrangements.
23 August 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss progress on the audit work and going concern considerations.
14 September 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss progress on the audit work and timelines as well as procurement arrangements for VFM.
20 September 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss progress on the audit work and timelines
27 September 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss details in respect of procurement arrangements.
07 October 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss progress on the audit work and timelines
20 October 2022	Meeting	The partner in charge of the engagement met with the Audit Panel to provide an update on audit status.
07 November 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss progress on the audit work and timelines
11 November 2022	Report	Draft Audit Results Report shared
06 December 2022	Report	Updated Draft Audit Results Report shared
26 April 2023	Report	Further updated Draft Audit Results Report shared
23 May 2023	Report	Final Audit Results Report issued

Appendix C

Required communications with the Mayor, as those charged with governance

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 Mayor 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.	Indicative audit planning report dated February 2022 and updated audit planning report dated May 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.	Indicative audit planning report dated February 2022 and updated audit planning report dated May 2022.
Significant findings from the audit	▸ 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 dated December 2022

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		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the Mayor include: ▸ A declaration of independence ▸ The identity of each key audit partner ▸ The use of non-member firms or external specialists and confirmation of their independence ▸ The nature and frequency of communications ▸ A description of the scope and timing of the audit ▸ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▸ Materiality ▸ Any going concern issues identified ▸ Any significant deficiencies in internal control identified and whether they have been resolved by management	Indicative audit planning report dated February 2022 and updated audit planning report dated May 2022. Audit results report dated May 2023

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		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▸ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Mayor ▸ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▸ The valuation methods used and any changes to these including first year audits ▸ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▸ The identification of any non-EY component teams used in the group audit ▸ The completeness of documentation and explanations received ▸ Any significant difficulties encountered in the course of the audit ▸ Any significant matters discussed with management ▸ Any other matters considered significant	
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ 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 dated May 2023
Misstatements	▸ 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 dated May 2023
Subsequent events	▸ Enquiry of the Mayor where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report dated May 2023

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		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▸ Enquiries of the Mayor 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: 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 Mayoral responsibility.	Audit results report dated May 2023
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ 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 dated May 2023
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ 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	Indicative audit planning report dated February 2022 and updated audit planning report dated May 2022. Audit results report dated May 2023

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		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The Mayor should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report dated May 2023
Consideration of laws and regulations	▸ 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 Mayor into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Mayor may be aware of	Audit results report dated May 2023

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		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report dated May 2023
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Indicative audit planning report dated February 2022 and updated audit planning report dated May 2022. Audit results report dated May 2023
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report dated May 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report dated May 2023
Auditors report	▸ 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 dated May 2023
Annual Auditors Report	▸ Summary of our audit work and findings for 2021/22 ▸ Commentary on VFM arrangements in place during 2021/22	Annual Auditors Report dated July 2023

Appendix D

Management representation letter

See under separate cover