





Private and Confidential 11 February 2022

Audit Committee Old Oak & Park Royal Development Corporation 169 Union Street London SE1 OLL

**Dear Audit Committee Members** 

2021 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit.

The audit is designed to express an opinion on the 20/21 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 Corporation'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 in this report.

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

Yours faithfully

Andrew Brittain

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents



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

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

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





### Scope update

In our audit planning report tabled at the 25 May 2021 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with no exceptions noted.

· Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £175k (Audit Planning Report – £212k). This results in updated performance materiality, at 75% of overall materiality, of £129k, and an updated threshold for reporting misstatements of £8k.

As audit progresses, several adjustments have been identified impacting gross expenditure. This required us to revisit our materiality threshold since gross expenditure is our materiality basis and it has been reduced from £8.6m to £4.9m due to the adjustments made. As a result of this, we have updated our materiality assessment to £98k, performance materiality of £73k and reporting misstatement threshold of £5k. This resulted in us extending our testing in a number of areas from that which was originally planned.

### Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities.

Other changes as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): Consistent with the 19/20 audit we identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Corporation's systems. We undertook the following to address this risk:

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

### Status of the audit

Our audit in respect of the Old Oak and Park Royal Development Corporation's opinion is now concluded, although we are not yet able to certify the audit as complete as we have not yet completed our Whole of Government Accounts work or issued our Auditor's Annual Report.



### Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Corporation 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 Corporation a commentary against specified reporting criteria (see below) on the arrangements the Corporation 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 Corporation plans and manages its resources to ensure it can continue to deliver its services;
- Governance How the Corporation ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: How the Corporation uses information about its costs and performance to improve the way it manages and delivers its services.

### Status of the audit - Value for Money

In the Audit Plan, we reported that we had yet to commence our value for money (VFM) risk assessment. We have taken into consideration the findings from the 2019/20 value for money work, our discussion with management and our knowledge of sector-wide issues that may affect the Corporation. We had identified one risk of significant weakness in respect of the two specified reporting criteria.

In summary, no significant weakness in arrangements were identified for the Corporation. We will report the outcome of our work on the Corporation's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you formally that the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts. Please refer to Section 05.

### Audit differences

We have identified two audit differences that are greater than £73k (performance materiality) which have been adjusted by management that require bringing to your attention.

Please see Section 04 for further details.



### Other reporting issues

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

At the time of writing the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission are still outstanding. Work will be performed once the financial statements are finalised and will be completed in line with HMT's timeline.

We have no other matters to report.

### Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Old Oak and Park Royal Development Corporation. 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.

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 issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

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

### Control observations

During the audit, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. However, we identified a control deficiency in respect to a prior year adjustments relating to the Cashflow Statement. Please refer to Section 07 for more details.

### Independence

Please refer to Section 09 for our update on Independence.





# Significant risk

### Misstatements due to fraud or error

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

### What judgements are we focused on?

We focused our testing on accounting estimate particularly pension liability. Also we performed mandatory procedures including testing of journal entries.

### What did we do?

This is a risk that we recognise on all engagements. Our overall response to this for OPDC was:

- 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 for safeguarding against fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

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

### What are our conclusions?

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. Please also see page 11 for our conclusion on pension liability.

We did not identify any other transactions during our audit which appeared unusual or outside the Corporation's normal course of business.



# Significant risk

Risk of fraud in revenue recognition – Planning Application Fee and Other income

### 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.

We have considered this presumed risk in relation to those significant income streams which could be subject to manipulation and identified that Planning Application fee and the income classified as 'other' are the areas of risk.

### What judgements are we focused on?

We have considered each significant expenditure stream and concluded that there is little opportunity or incentive to deliberately overstate these because of their nature, and because of the funding arrangement with the Greater London Authority (GLA) whereby cash is drawn down as it is required to finance liabilities as they fall due.

We have considered which revenue streams might be subject to manipulation and concluded that planning application fee income and income 'other' are the areas of risk.

### What did we do?

Our approach focused on the following areas in relation to Planning Application Fee and Other income:

- Reviewed and tested revenue recognition policies;
- Tested a sample of revenue transactions to ensure that they have been recognised at the appropriate amount and in the correct accounting period;
- Reviewed and discussed with management any accounting estimates on revenue recognition for evidence of bias: and
- Understood variances in revenue recognised compared to budget and prior years.

### What are our conclusions?

We have not identified any issues in Planning application fee income.

However, other income has been adjusted and reduced in relation to the accrued income posted for a refund of UKPN expenditure which should have been recognised as reduction in expenditure. The net impact on the CIES bottom line is nil. Please refer to section 04 for more details.



### Other Areas of Audit Focus

Risk of error in the valuation of the net pension liability

### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Corporation to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the London Pensions Fund Authority.

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

The information disclosed is based on the IAS 19 report issued to the Corporation by the actuary and accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a high inherent risk.

### What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- significant changes in assumptions made by the actuary;
- the assessments of the actuary undertaken by PWC, as consulting actuary commissioned by the National Audit Office, and the EY actuarial team; and
- Impact on the Corporation's pension valuation of Covid-19 reported by the LPFA auditor based on the pension fund assurance response.

### What did we conclude?

We have not identified issues in our work to the Pension liability valuation that is material to the Corporation.

We have also considered the outcome of the assurances received from the Pension Fund auditor in relation to other areas. The Pension Fund auditor reported differences in the valuation of the fund assets but the share and impact of these on the Corporation were not material.

The additional procedures in response to the revised requirements of ISA 540 confirmed there was no material misstatement arising from those estimation procedures undertaken by Barnett Waddingham.

### What did we do?

- · Liaised with the auditors of London Pensions Fund Authority, to obtain assurances over the information supplied to the actuary in relation to the Corporation;
- Assessed the work of the Pension Fund actuary (Barnet Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Corporation's financial statements in relation to IAS19.
- In response to the revised requirements of ISA540, the auditing standard on accounting estimates, we amended our audit approach based on procedures to evaluate management's process. The revised standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We employed the services of an EY Pensions specialist to review the Corporation's IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham.





### Going concern

Covid-19 has created a number of financial pressures throughout Local Government. It has created financial stress leading to increased expenditure in specific services, and reductions in income sources.

In addition, the auditing standard, International Auditing Standard 570 Going Concern, has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, so for the Corporation the 2020/21 financial statements are the first to be impacted. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

#### Conclusion:

We have made inquiries of the Greater London Authority (GLA) regarding their commitment to fund the Corporation and the period of this commitment. We requested the letter of support (from GLA as ultimate parent) from management. We also have sought assurance from the GLA audit team that as a result of their going concern work GLA are in a position to issue such a letter which they have provided to us.

We have also reviewed the finance team's documented assessment of going concern. We have also requested and reviewed cash flow forecast from the management which covers the going concern period (at least twelve months from the date of approval of the financial statements). We have also reviewed the proposed disclosure on going concern.

We are satisfied that management have carried out a reasonable going concern assessment and made an appropriate disclosure in the accounts. We have concluded that the adoption of the going concern assumption for the Corporation is appropriate, and that no material uncertainty exists.





# Draft audit report

### Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLD OAK and PARK ROYAL DEVELOPMENT CORPORATION

#### Opinion

We have audited the financial statements of Old Oak and Park Royal Development Corporation for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement.
- Comprehensive Income and Expenditure Statement,
- Balance Sheet.
- Cash Flow Statement
- the related notes 1 to 18

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Old Oak and Park Royal Development Corporation and as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGNO1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the corporation's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Annual report and Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the Annual report and Accounts 2020/21.

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

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

We have nothing to report in this regard.



# Draft audit report

### Our opinion on the financial statements

Matters on which we report by exception

#### We report to you if:

- in our opinion the Annual Governance Statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Corporation;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.
- we are not satisfied that the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

### Responsibility of the Deputy Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 18, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Corporation and determined that the most significant are:
  - o Local Government Act 1972,
  - o The Accounts and Audit Regulations 2015,
  - o Local Government Finance Act 1988, and
  - o Greater London Authority Acts 1999 and 2007

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



# Draft audit report

### Our opinion on the financial statements

- We discussed as an engagement team how and where fraud may arise. We understood how the Corporation is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Corporation's committee minutes, through enquiry of employees to confirm Corporation policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Corporation's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), and management override of controls to be our fraud risks.
- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we challenged the assumptions and corroborated the income to appropriate evidence.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Corporation had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Corporation put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Corporation's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.



# Draft audit report

### Our opinion on the financial statements

Until we have completed the above procedure we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Andrew Brittain (Key Audit Partner) Ernst & Young LLP (Local Auditor) London February 2022





### Audit Differences

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

### Summary of adjusted differences

We highlight the following misstatements greater than £73k which have been corrected by management that were identified during the course of our audit:

- The Corporation is fully funded by the Greater London Authority (GLA). At the end of each financial year, an income accrual is posted to the Corporation's ledger to recognise this funding position. In principle, this means that the Comprehensive Income and Expenditure Statement (CIES) has a net nil result. At the end of the 2020/21 financial year, the Corporation had a net income position on its CIES. This was due to a number of cash payments received from the GLA. As a result of the net income position, the year-end journal required a GLA Creditor position to be recognised (e.g Debiting expenditure and crediting GLA Creditor) amounting to £2.28m. Given that no actual expenditure has taken place with no physical invoices to show, the original entry has been reversed and adjusted by debiting income and crediting GLA creditor by the same amount. The adjustments reduced both income and expenditure by £2.28m, however bottom line remains the same.
- The Corporation incurred expenditure with UKPN in 2018/19 and 2019/20 relating to an agreement for a 15MVA power supply at Atlas Road which was initially agreed to support the Phase 1A proposals. Following discussion, UKPN agreed to resume control of the additional capacity in 2020/21 and reallocate it to other development in the Old Oak area, for which there is demand. As a result, the Corporation accrued the income relating to the expenditure that had previously incurred, however this should have been recognised as a reduction in expenditure (as the connection was not transferred to the Corporation). Adjustment has been posted to reduced both the expenditure and income, with no impact on the bottom line.

There were differences identified not adjusted by management as they were not material but above our misstatement reporting threshold (£5k) as follows:

- The share of the Corporation in the differences in the valuation of the fund assets provided by the Pension Fund auditor amounting to £21k.
- Invoice from one of supplier relating to 19/20 but not accrued for in 19/20 because it was not communicated timely to the Corporation amounting to £11k.
- \$106 drawdown pertaining to 19/20 which was recorded in 20/21 as transaction was communicated late to the Corporation amounting to £50k. The impact to the bottom line is nil.
- The reversal of the two invoices with credit notes issued were applied on net amount rather than the gross amount therefore VAT amounting to £7k was not reversed. This will result to reclassification between debtor categories only therefore impact to the bottom line is nil.

There were also differences adjusted by management which were also immaterial in nature and some were narrative disclosure amendments only.



# Value for money

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

The Corporation 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 Corporation 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 Corporation tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIFPA 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

In the performance of our risk assessment procedures, we identified one risk of a significant weaknesses in the Corporation's VFM arrangements relating to Financial sustainability and Governance reporting criteria:

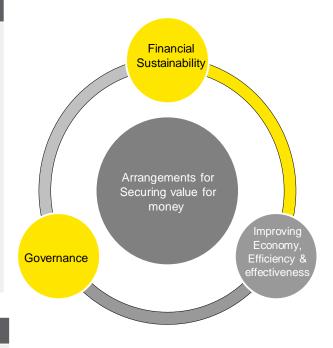
The development of plans to underpin the longer term future of the Corporation

### What did we do:

- Understood the steps that the Corporation has taken to ensure the budget is appropriate enough to support the future operations
- Considered the appropriate governance and decision making process supporting the Corporation's plan/strategy
- Understood the extent of progress of future plans and resources deployed on a sustainable basis

### Status of our VFM work

In summary, no significant weakness in arrangements were identified for the Corporation. We will report the outcome of our work on the Corporation's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you formally that the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts.





# Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Annual Report and Accounts for the year ended 2020/21 with the audited financial statements.

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

Financial information in the Annual Report and Accounts for the year ended 2020/21 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 are currently waiting to start work in this area. We will commence this once the NAO instructions have been released and will report any matters arising to the Audit Committee.

# **Other reporting issues**

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Corporation 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 Corporation'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 additional matters to report on these areas which are not already covered elsewhere in this report.





### Assessment of Control Environment

### Financial controls

It is the responsibility of the Corporation 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 Corporation has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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

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

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. However, we have identified a control deficiency in respect to a prior year adjustments relating to the Cashflow Statement. The errors arose as the two figures were not mapped directly from the trial balance (using formulae) to the cashflow statement in the Corporation's working paper and were entered in manually. These errors offset each other meaning the net impact in the accounts is zero once corrected.

In response to these errors, management undertook a review of the prior year accounts and disclosure by mapping the accounts to trial balance to ensure no other errors. The audit team have also undertaken similar check to ensure brought forward balances in the current financial year are correct as part of our opening balances procedures. A thorough review (line by line basis) have been performed in 2020/21 to ensure the correct movements are recorded in the Cash Flow Statement. The audit team ensured that Corporation's working paper for Cash Flow has formulae and movements were successfully tied back to the trial balance. No further issues have been identified as a result of the procedures performed.

We have again considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



**Journal Entry Testing** 

### What is the risk?

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

### What judgements are we focused on?

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



### What did we do?

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

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

### What are our conclusions?

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





## 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 Corporation, and its members and senior management and its affiliates, including all services provided by us and our network to the Corporation, 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 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that are proposed for the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

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

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



# Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

All fees exclude VAT	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Audit Fee - Code work	42,550 (a)	11,550	20,672 (a)
Covid-19 additional procedures	2,500 (b)	N/A	2,354 (b)
Impact of new VfM code	7,500 (c)	N/A	-
Impact of revised ISA 540 - estimates	2,000 (d)	N/A	-
Additional procedures resulting from reduced materiality	3,000 (e)	N/A	-
Others (PYA, delays, etc.)	1,750 (f)	N/A	-

- (a): We presented the details of proposed resetting of the scale fee to the previous Audit Committee during 2020. These amounts were considered by PSAA in relation to the 19/20 fee and determined at the level shown. For 20/21 our estimation of the ongoing costs of delivering an audit of the required quality remains consistent with the prior year, as explained in our Audit Plan. This amount is subject to the approval of PSAA.
- (b): In 19/20 we had performed additional work in identifying and assessing the business and financial reporting risks the Corporation are facing as a result of current economic conditions related to the Covid-19 outbreak, including changes to internal controls, enhanced consideration of the Corporation's going concern assessment, consultation requirements and disclosure within the financial statements which were specific to the 19/20 audit year. The additional fee for this was £2,354 which was agreed with management and approved by PSAA. With the ongoing pandemic, additional procedures were required again in 20/21.
- (c) For 2020/21 the NAO introduced a revised Code of Audit Practice, which resulted in changes to the Value for Money work required by auditors. PSAA issued guidance in August 2021 as to the expected impact of this change on the scale fee, which this fee variation reflects.
- (d) For 2020/21 ISA 540 estimates was revised which required additional procedures in relation to our audit of OPDC mainly in regards to the pensions liability. PSAA issued guidance in August 2021 as to the expected impact of this change on the scale fee, which this fee variation reflects.
- (e) As a result of the misstatements noted in section 4, we were required to reduce our materiality levels and therefore undertake additional testing not previously planned.
- (f) This relates to additional work performed for the prior year adjustments (PYA) identified during the year relating to cashflows and delays encountered in the audit in receiving the revised financial statements and in resolving issues with income and expenditure including the evaluation and review of the material adjustments identified.



### Other communications

### EY Transparency Report 2020

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 2021:

EY UK 2021 Transparency Report | EY UK

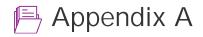




# Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - March 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.  When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - March 2021
Significant findings from the audit	<ul> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> <li>Findings and issues regarding the opening balance on initial audits</li> </ul>	Audit results report - February 2022



		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<ul> <li>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</li> <li>Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The appropriateness of related disclosures in the financial statements</li> </ul>	Audit results report - February 2022
Misstatements	<ul> <li>Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Material misstatements corrected by management</li> </ul>	Audit results report - February 2022
Subsequent events	• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report - February 2022
Fraud	<ul> <li>Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit results report - February 2022



		Our Reporting to you
Required communications	What is reported?	When and where
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 - February 2022
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	Audit planning report - March 2021 and Audit results report - February 2022



		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 audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	<ul> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit results report - February 2022
Consideration of laws and regulations	<ul> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit results report - February 2022



		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 - February 2022
Group Audits	<ul> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>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</li> <li>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</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>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.</li> </ul>	Audit planning report - March 2021 and Audit results report - February 2022
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 - February 2022
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 - February 2022
Auditors report	<ul> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report - February 2022

### EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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#### ED None

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