The Audit Findings for Bournemouth, Christchurch and Poole Council

Year ended 31 March 2022

Bournemouth, Christchurch and Poole Council

November 2023 updated May 2024

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit as at 21 May 2024 that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. An earlier version of this report was presented to the Audit and Governance Committee in November 2023.

Name : Peter Barber
For Grant Thornton UK LLP
21 May 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bournemouth Christchurch and Poole Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	We recommenced our post-statements remote audit in July 2023 and as at 21 May 2024 our work is substantively complete. The delay in concluding the audit was due to the late receipt of the IAS19 Pension Fund letter of assurance. This was received on the 26 April 2024 and supplemented with further communication on 7 May 2024. Our subsequent review of these responses is almost complete. We will provide a verbal update on the outstanding areas at Audit & Governance Committee on 30 May 2024. Our findings are summarised on pages 5 to 28. We have identified a number of material and non-material errors and adjustments, including prior period adjustments to the draft financial statements the majority of which relate to property valuations which are set out in detail on pages 11-14 of the report. Audit adjustments are detailed in Appendix C. Management have indicated that all material areas identified will be corrected in the revised financial statements. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B and a number of these are still outstanding. The time taken to complete this opinion audit work for 2021/22 reflects many of the challenges faced in the prior year. Following the conclusion of the 2020/21 opinion audit in March 2023 it was agreed with officers to defer the 2021/22 post-statements financial statements audit to July 2023 to allow finance officers to undertake a further quality assurance process on the draft 2021/22 financial statements. The Council reconsidered the draft statements for 2021/22 and undertook a number of adjustments to these given the issues reported as part of the prior year audit. We are therefore auditing the updated accounts and highlight in this report changes made by management to the draft accounts prior to our audit as part of our amendments schedule. The complexity of BCP's financial statements combined with the continued usage of multiple predecessor financial systems and multiple valuers has implications for delivery of a timely audit. That said, the direction of travel since the 2020/21 audit is a positive one, with less issues arising to date than the prior year. We have also noticed a marked improvement in the timeliness of responses, which is much appreciated. Despite this, significant additional audit time has been incurred by our audit team again this year discharging our role and there were a small number of areas where there was long delays in receiving evidence and response to queries. There is therefore further way to go to improve the audit process going forward. We expect some of the issues to continue until the Council's new accounting systems which was effective from 1 April 2023 begins to deliver the improvements in both internal and external financial reporting. We will continue to work with the finance team to support improvements in the areas which can be improved before then. This additional work also reflects the continuous raising of the bar and us as auditors providing greater challenge to the Council especially in the areas subject to greatest estimation and uncertainty. We anticipate issuing an unqualified audit opinion, as detailed in Appendix E. This is the final updated version of this report, a previous version of this report was discussed with the Committee in November 2023. We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited. Our proposed audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have completed our VFM work for 2021/22, combining it with our reporting for 2022/23. The detailed commentary is set out in the separate Auditor's Annual Report, which we presented to the Audit and Governance Committee in September 2023. For 2021/22, this report included a number of key recommendations as well as a large number of improvement recommendations. As a result, we reported four significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Given the significant of the issues identified within the VFM report, we have set up regular meetings with the Chief Executive, Director of Finance and Cabinet Portfolio holder responsible for finance to discuss progress against our recommendations as well as other recent external reports as well as emerging issues. Our findings are set out in more detail in the value for money arrangements section of this report.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We will certify the completion of the audit when we give our audit opinion.
Significant Matters	The audit team identified a significant number of amendments, issues and control weaknesses during the 2021/22 audit with the continued complexity of the Council's underlying financial systems and particular areas of the financial statements, such as property plant and equipment continue to have a significant impact on the efficiency and timeliness to deliver our audit. There has been an improvement in the timeliness of responses which is reflected in the reduction in the overall time taken to complete the audit from the prior year. The additional time spent by the team in gaining assurance over all elements of the financial statements along with significant additional work in respect of our VFM responsibilities in 2021/22 will be reflected in the final audit fee, to be confirmed once all work is complete.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- From this evaluation we determined that specified audit procedures for land and buildings and heritage asset balances were required
- Analytical procedures were undertaken on the three charities consolidation into the group accounts

We have not had to alter the planned approach reported to you in our audit plan.

Conclusion

Our audit of your financial statements our work is substantially complete but subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion as soon as we receive the Pension Fund letter of assurance as detailed in Appendix E.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the course of this extended audit.

The audit team has worked well alongside the council finance team to deliver the audit remotely and although improvements have been seen since the prior year audit, there are still further improvements to be made to ensure the audit is more efficient going forward.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 27th October 2022 but we have set specific materiality levels for Senior Officer Remuneration, due to the sensitive nature of this disclosure and the interest of the reader.

We detail in the table (right) our determination of materiality for BCP Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	13.5m	13.3m	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year and monitors spend against this, therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was the same as used in the prior year. We considered that 1.4% was an appropriate rate to apply to this benchmark, reflecting on the size and complexity of the Council.
Performance materiality	8.8m	8.7m	The performance materiality percentage is reduced to reflect the number of misstatements identified in the prior year accounts.
Trivial matters	700k	700k	Calculated as a percentage of headline materiality and in accordance with auditing standards
Materiality for Senior Officer Remuneration	16k	16k	The public sensitivity surrounding the disclosure of senior officer pay.

2. Financial Statements - Group audit

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Planned audit approach	Findings
BCP Council	Yes		Full scope audit performed by Grant Thornton UK LLP	• Findings set out in this report.
The Russell Cotes Art Gallery and Museum Charitable Trust	No		Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.	• We undertook specific procedures on the material balances of property, plant and equipment and heritage assets. No issue were noted. • We undertook analytical procedures for each component and there were no significant year on year movements in line with our expectations. • We identified above trivial differences in the group consolidation due to the timings of the preparation of the group accounts and the council using prior year accounts rather than audited current year accounts. The council amended the group consolidation to reflect the final audited figures. • A number of the amendments which we identified in the single entity accounts also impacted the group figures and these have all been amended appropriately.
For Five Parks Charity	No		Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.	
The Lower Central Gardens Trust	No		Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.	

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement	We: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationales for any changes in accounting policies, estimates or significant unusual transactions We did not identify any significant changes in estimation techniques adopted between years. More information on our work on estimates can be found on pages 17 to 21. Critical judgements and estimation uncertainty disclosures where reviewed to ensure that they meet the requirements of the CIPFA code and accounting standards, with only those estimates at risk of material misstatement in future years being disclosed. The size of the Council's ledge made obtaining a full data download difficult. We have again invested audit resource working with the Council to obtain a full nominal ledger download to facilitate our journals testing, however in order to select items for testing for specific areas such as fees and charges and operating expenses, further additional work was necessary to isolate items for testing. The continued issues identified by our IT audit team particularly relating to segregation of duties and enhanced permissions increased the inherent risk for the audit and resulted in a significant increase in our testing of journals, compared to an entity with no significant deficiencies in its IT systems. The segregation of duties issue also led to increased work being required in other areas of the audit. Our testing of high risk journals did not identify any instances of management override of controls. However, we identified a number of control weaknesses and have raised recommendations to the Council regarding this: • It was identified in the prior year three finance managers were instructing junior staff to post journals which they then subsequently authorise. Since we reported this in the prior year audit findings report, the Council has reiterated to finance managers that this practice is unacceptable. We undertook specific work on this in 2022/23 and we did not identify any further instances in 2022/23 with these three finance managers, however we did identify one further finance manager (who has now left the Council) who did instruct junior staff to post journals on their behalf. This renders the underlying control ineffective and more junior staff are less likely to challenge the purpose of any journal. We therefore undertook further focused review on Journals authorised by this individual.

2. Financial Statements - Significant risks

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This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 Revenue Risk Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including BCP Council, mean that all forms of fraud are seen as unacceptable	We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for BCP Council. Our audit work has not identified any issues in respect of improper revenue recognition.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings including council dwellings and investment properties The valuation represented a significant estimate by management in the financial statements due to this size of the numbers involved and the sensitivity of the estimates to changes in key assumptions.	We • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • appointed our own auditor's valuation expert to provide additional challenge to the process of auditing the Land & Buildings and Investment Property valuations. • evaluated the competence, capabilities and objectivity of the valuers used by the Council. • discussed with and wrote to the Council's valuers to confirm the basis on which the valuation was carried out. • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding and engaged our own valuer to assess the instructions to the Council's valuers, the Council's valuers' report and the assumptions that underpin the valuation. • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our work in this area has identified the following issues: Valuation of Land & Buildings • Through completing initial reconciliation work between the draft accounts, the council's Fixed Asset Register (FAR) and the Norse valuation report, we discovered that the accounts were prepared using figures obtained from an earlier version of the valuation report as these were the figures processed in the FAR during year end closedown. A revised valuation report was provided to the council in June 2022 and this had not been reflected in the 21/22 accounts. This resulted in complications in agreeing the revalued figures in the accounts to the valuer's report. This exercise resulted in a total increase in the Land & Buildings for the council of £5.986m. This adjustment included a revision for the value of Meyrick Park Golf Club, which was recognised fully in the Charity accounts, when the council's share is 26% of the asset. The adjustment that relates to this asset recognises an extra £0.658m in the council Land & Buildings, with 74% recognised in the Charity accounts (£1.875m) with the asset having a total value of £2.534m. • Whilst auditing the valuation of Hillbourne Primary School, we challenged the valuation basis of the surrounding land, as the valuer had valued this at a nominal rate and was classed as undeveloped land with no planning permission. We discovered that the land had an intended use by the council, and plans for residential development had been made before the year end 31 March 2022. Therefore, the valuation of the land relating to this asset was reconsidered and subsequently increased by £4.658m. There was no impact on the value of the building.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, council dwellings and investment properties (continued)	Reviewing the valuation calculations for Poole High School and Linwood School highlighted incorrect guidance being used by the council's valuer with respect to MEA (modern equivalent asset) site areas to be used in valuation. The valuer had used incorrect school types for the basis of their site area calculations, and this resulted in inappropriate valuations. In the case of Poole High School, once revised by the valuer, the valuation increased from £33.681m to £35.545m (£1.864m increase). In the case of Linwood school once revised by the valuer, the valuation decreased from £15.122m to £13.316m (£1.864m decrease). • From our review of the valuation of Avenue Road Car Park, we noted significant movement in valuation between 20/21 and 21/22 of 68% (decrease). The value had decreased significantly due to a lower gross income being used in valuation by the valuer in 21/22 than 20/21. We challenged the reasonableness of this and determined that the figure used by the valuer was inappropriate as it used estimated income that included the impact of periods impacted by the covid-19 pandemic, which artificially decreased car park income due to travel restrictions. The council's internal valuer is in the process of providing the audit team with a revised valuation, using a more suitable income figure, so we can assess this for reasonableness and quantify the impact on the Land & Buildings balance. • Our review of the valuation for Somerford Primary School identified that incorrect age data had been input into the calculation by the valuer, which overstated the valuation. A revised valuation was prepared by Norse, which was £1.517m lower than the original, decreasing the value of the asset from £12.081m to £10.564m. Overall, in the accounts and FAR, the asset value moved by £1.809m, following double counting of the caretaker's bungalow (NBV of £0.292m before revaluation to £0.300m) in the draft accounts. • Through our audit of the valuation of Highcliffe Castle, we were able to conclude that we were satisfied that the asset value was materially accurate, however we recommend that management discuss and review the inputs and assumptions for Highcliffe castle with their valuers in 22/23 to ensure they are comfortable with how these are applied, due to the highly unique nature of the asset and the breadth of assumptions that could be used, which could cause significant valuation swings in the future. • From testing build costs and location factors applied in DRC valuations, we came across two assets (Broadstone Leisure Centre and Nuffield Waste Transfer Centre) where an oversight by the valuer had resulted in the build cost rate applied being uplifted twice by the suitable location factor in calculation, rather than once. This resulted in these valuations in total being £0.411m higher than expected. Due to the size of the error, no adjustment is proposed, however we wanted management to be aware of this inconsistency and ensure, through valuer enquiry, that these mistakes do not happen in the future. Out of the 15 DRC valuations tested, these were the only exceptions noted.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, council dwellings and investment properties (continued)	• From reviewing the valuation for Upton Country Park Car Park and Public Conveniences, we identified the toilet block valued had been demolished in January 2022, in preparation for the construction of a new visitor centre. Therefore, this should not have been valued as an operational asset as at 31 March 2022 and should not have been on the council's asset register. The value of this asset was trivial (£137k), however we recommend that management ensure that assets included in the valuation exercise all exist at the valuation date and that regular discussions with estates and the capital projects team take place to ensure disposed assets are excluded from valuation exercises and the fixed asset register. No further instances of this type of error were noted and due to the size of the asset, no further work was performed as we were comfortable this was not indictive of material misstatement. Our work in this area is complete. The total adjustment in light of our audit findings results is an increase in the PPE figure £10.162m. This correspondingly increases the Revaluation Reserve by £9.250m and the Capital Adjustment Account by £0.912m. The updated valuations have also been reflected in the Revaluations history table presented in Note 12. The findings above which are significant in number and value, as was the case in 2020/21 and reinforces the recommendations made last year in respect of greater quality assurance and oversight by both estates and management with a more thorough review of assets with significant movements between years and challenge the valuers on the assumptions used to determine whether the movements are reasonable and in line with their expectation.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, council dwellings and investment properties (continued)	**Valuation of Investment Properties** Through our review and challenge of valuations performed for Investment Properties, we have found no material issues and are comfortable that the valuations provide a materially accurate and reasonable estimate. Some differences between auditor recalculations and valuer results were noted, suggesting a potential £3m overstatement of valuations, however as these are estimation differences and not factual errors, we deem the estimate reasonable. We note that through review of assumptions used in Investment Property valuations, that the valuer is applying the deduction of purchaser's costs (i.e. stamp duty) from valuations inconsistently across the portfolio of assets. This only results in a small element of the asset's gross value being deducted from the valuation, however, through engagement with our auditor's expert, are of the view that this should be applied consistently to all valuations. We recommend that management discuss the application of this assumption in future valuations with their external valuer to ensure consistency in application. **Valuation of Council Dwellings** Through our review and challenge of valuations performed for Bournemouth and Poole HRA Council Dwellings, we are satisfied that the beacon approach has provided a materially accurate and reasonable valuation estimate as at 31 March 2022. Following audit review of the Revaluations History table presented in Note 12, it was found that £13.049m of the £681.586m total for HRA Assets should have been classified as being valued at Historic Cost, rather than current value – this was corrected for in the final accounts and does not impact total value disclosed, it is a disclosure amendment only. We identified some inconsistencies in relation to the application of assumptions throughout the Bournemouth HRA valuation exercise, further detail can be seen on page 19 of this report. We deem that these do not have a material impact on the accuracy of the estimate. No such issues were noted in the Poole HRA valuations. **Conclusion** Following the adjustments made to the revised financial statements, as a result of our work, we are now comfortable that the Council's land and buildings, council dwellings and investment properties are materially stated.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Pension Fund Liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£808.513m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension and fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary that estimated the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. We are awaiting responses from the actuary to our challenges and questions in order to gain sufficient assurance over the inputs and assumptions used. The pension fund's triennial actuarial review was carried out as at 31 March 2022 and the Council was required to consider the impact of publication of the results on the pensions valuations. This resulted in changes in member numbers within pension funds and has led to a material adjustment in the pension liability disclosures for the Council as at 31 March 2022. The Council requested that it's actuary, Barnett Waddington undertake an updated actuarial review. This was received and management included the relevant adjustments in the revised accounts. This has decreased the net defined benefit liability at 31 March 2022 by £75.126 million from the liability disclosed in the draft accounts (final figure is £808.513m). We received a response to our request to the Auditors of the Pension Fund in April 2024 and May 2024. Work is almost complete in this area, with our work to date not identify any material issues affecting the net pension fund liability disclosure. Subject to conclusion of the outstanding procedures, we are able to gain sufficient assurance over the material accuracy of the net pension fund liability from their work. One issue identified as part of the Auditors of the Pension Fund response was in relation to an understatement of the Dorset Pension Fund assets at 31 March 2024 of £8m. BCP's share of this understatement is approximately £2.8m, indicating that that the Council's IAS19 liability at 31 March 2022 disclosed in the financial statements is overstated by this amount. Management have determined not to adjust this error on the ground of materiality, we concur with this assessment and we have included this within our schedule of unadjusted errors.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £721m	Other land and buildings comprises £376m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£345m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Norse to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis. 20% of total assets, representing around 50% of the total value of the councils assets were revalued during 2021/22. Management have considered the year end value of non-valued assets, through an indexation exercise carried out using appropriate indices supplied by their external valuation experts, to determine whether there as been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the carrying value of these assets. The total year end valuation of land and buildings presented in the draft accounts was £721m, a net increase of £9m from 2020/21 (£712m).	We have assessed Norse to be competent, capable and objective, however minor inconsistencies in the preparation of the valuation spreadsheets were identified through review of valuation calculations, these were not deemed significant. There were also occasions where incorrect inputs had been used in valuations. These were challenged and correctly by Norse. We have carried out completeness and accuracy testing of the underlying information provided to the valuer and we have identified some inconsistencies resulting in revision of valuations relating to Hillbourne Primary School and Avenue Road Car park. A revised valuation for Hillbourne Primary School was obtained and deemed appropriate, resulting in an adjustment being processed (see pg 10 and appendix C for more details). A revised valuation for Avenue Road Car park is being processed by the council's internal valuer, due to an inconsistency with the gross income figure estimated by the valuer and income data held by the council. **Alternative Site areas** Alternative site assumptions are considered by the valuer in their valuation of schools assets and are done so based on applying a suitable area per pupil number. We identified that where such site area assumptions were applied, these had been done so using inappropriate rates. These findings relate to Poole High School and Linwood School. We also note a weakness in management's responsibility to assess and take ownership for alternative site assumptions. We recommend that management assess the requirement for alternative site assumptions to be considered for their asset portfolio to support whether these assumptions are relevant for their assets or not.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £721m		The Council requires an explanation within the valuation reports of individual assets for unusual movements or to identify potential errors. Although these were reported within the valuation report, management had not taken steps to investigate comments made in the valuations of assets included in our sample – these include Poole High School and Avenue Road Car park discussed previously. Follow up of comments made by the valuer would have enabled these inconsistencies to be rectified or explained prior to submitting the accounts for audit. This was an observation also noted in the prior year audit. **Assets not revalued in the year** Management are required to assess whether the current value of its assets is not materially different from the carrying value and has undertaken an exercise to assess this using indices which we are currently reviewing. The working papers in this important area have continued to improve, however the greater emphasis placed on estimates because of the revision of ISA 540 means that further work is needed in this area by management to fully challenge the valuer and understand the basis of the estimates made. We confirmed that overall the valuation method unless otherwise reported, remains consistent with the prior year.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £92m	The Council revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. The Council engaged its external valuation expert to value its investment properties. Norse were engaged and valued these properties alongside their Land & Buildings valuations. The Council owns a significant retail shopping centre located in Bournemouth. The Council has further considered the appropriateness of the valuation of this asset by assessing the strength of its tenant base to understand the reasonableness of the valuation received. The year end valuation of investment properties was £92m at 31 March 2022 an increase of £2m from the 2021/22 valuation.	We have reviewed management's processes, and no issues were identified. We have considered: The completeness and accuracy of the underlying data used to determine the estimate. The reasonableness of the overall decrease in the estimate. The adequacy of the disclosure of the estimate in the financial statements. Immaterial point estimate differences were noted through comparison of valuer's calculations and auditor recalculations, this provides us with assurances that the valuations made by Norse were materially accurate. We note that through review of assumptions used in Investment Property valuations, that the valuer is applying the deduction of purchaser's costs (i.e. stamp duty) from valuations inconsistently across the portfolio of assets. This only results in a small element of the asset's gross value being deducted from the valuation, however, through engagement with our auditor's expert, are of the view that this should be applied consistently to all valuations. We recommend that management discuss the application of this assumption in future valuations with their external valuer to ensure consistency in approach.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council dwellings and other HRA PPE valuations – £682m	The Council owns over 9,000 dwellings and is required to revalue these properties in accordance with DCLG's Stock Resource Accounting Guidance. The guidance requires the use of a beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council continues to maintain the council house stock of the former Poole and Bournemouth councils separately and engaged different valuers to perform the valuation of these properties. For the Poole properties, a full valuation of the beacon properties was undertaken. This was performed by the VOA (external valuer). For Bournemouth 20% of beacons were revalued in line with the 5 year cyclical exercise. This was performed by the council's internal valuer. Of the £682m total HRA Asset value, £661m relates to Council Dwellings, with £6m relating to other Land & Buildings (also considered in valuation process) and the remaining £14m relates to assets valued at historical cost (assets under construction (£11m), Surplus Assets (£2m) and Plant & Equipment (£1m).	We have reviewed management's processes and no issues were identified. We have agreed a sample of dwellings to comparable market evidence with no issues identified. We identified the following issues in our testing of Bournemouth HRA properties - Bedroom uplifts were not applied consistently across valuations . The council's policy is to add 20% to the valuation in this instance. We performed a further review of this in and determined that there were other variant beacons that were incorrectly valued due to a difference in number of bedrooms. We recalculated the valuations using the correct uplifts and there was a difference of £0.738m so there is no risk of material misstatement was noted. - As a result of our testing we identified that the council were applying a 12% reduction if a property was a non traditional construction property. We challenged this assumption and the internal valuer advised that there is no evidence to support this figure as this is a historical policy, in 'Non Trad Review' a review of all beacon variants that have been subject to this change and determined that there is no material uncertainty that results in the application of this assumption. - As a result of our testing, we have identified that a property has been included in a variant beacon when we have not noted a difference between this property and the beacon property. We are satisfied that there is not a risk of material misstatement here. However, we recommend that beacon categories need to be reviewed to ensure that these are consistent with the beacon variants valuation report. No issues were noted with the valuation of Poole HRA properties. A separate review was performed on a sample basis on the carrying value of Assets Under Construction, with no issues noted.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £808.5m	The Council's net pension liability at 31 March 2022 is £808.5m (PY £1.101bn) comprising the Dorset Pension Fund Local Government funded defined benefit scheme. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place. • We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made: (see table below) • We have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate, • We have gained assurance over the reasonableness of the Council's share of LGPS pension assets, and • We have reviewed the adequacy of disclosure of the estimate in the financial statements.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value 2019 valuation	Revised Actuary Value 2022 valuation	PwC range	Assessment
Discount rate	2.6%	2.6%	2.55-2.6%	●
Pension increase rate	3.2%	3.2%	3.05-3.45%	●
Salary growth	4.2%	4.2%	3.7-5.7%	●
Life expectancy – Males currently aged 45 / 65	23.1	22.10	20.5-23.1	●
Life expectancy – Females currently aged 45 / 65	24.7	24.20	23.4 - 25	●

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £14.169m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required. This calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VAO) and previous success rates. The provision has decreased by £0.885m in 2021/22	• No issues were identified with the appropriateness of the underlying information used to determine the estimate • There has been no change to the method used to determine the provision • The method is in line with industry practise adjusted to reflect the specific circumstances of the Council • The disclosure of the estimate in the financial statements is adequate • Management has increased the amount set aside against the majority of its provisions, however we note that the increase in the provision is not reflective of the amount of provision used, which is generally lower than the increase. This indicates that the Council is taking a cautious approach to the recognition of provisions. • We are satisfied that the current levels of provisions for NNDR appeals are reasonable.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
Minimum Revenue Provision - £10.511m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as the Minimum Revenue Provisions (MRP). The basis for the charge is set out in regulations and statutory guidance. There has been no change in the method for calculating MRP during the year. The year end MRP charge was £10.511m, a net increase of £1.080m from 2020/21.	The Council is required to prepare a policy on MRP annually and present to members. The Council's policy was presented to Cabinet in February 2021. We are satisfied that the Council's MRP has been calculated in accordance with statutory guidance and the policy is compliant and reasonable	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Funding of the Capital Transformation programme using HRA funds.	Management have charged £2m of their transformation programme costs to the HRA in 2021/22. The £2m represented an upfront charge to the HRA in respect of transformation costs to date as well as future year spends in the capital transformation programme. We are advised that no further transformation costs will be funded from the HRA.	• We challenged management's decision to fund the costs using the HRA with reference to the HRA ringfencing guidance • The Council provided us with valid justification that there decision was supported by their interpretation of the HRA ringfencing guidance • Although we disagree with the exact amount the Council has charged to the HRA in 2021/22 by making a one off transfer rather than spreading the costs over the duration of the transformation program, given the Council has had significant spend on the transformation programme in previous years, the amount transferred in 2021/22 is our judgement is not unreasonable or material to either the general fund or HRA.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	Within our disposals testing we identified assets which had been disposed of in the accounts within 2021/22 however on review these had been disposed of in prior years but not accounted for in the year they were disposed in.	• We recommend management review the processes and procedures in place for disposals, particularly around how the finance team are notified when disposals take place. **Management response** • The accountancy team are reliant on disposal notification from the estates team. We have now have a process in place to make sure all assets disposals are notified to the team.
●	It was noted that journals posted by the deputy S151 officer has not been reviewed and approved as required in the Council's journal policies. There is a risk of this individual posting inappropriate journals. We also noted that some journal approvers did not include that date of when the journal was reviewed and approved.	• We recommend all finance staff are reminded of the Council's policies around authorisation of journals and all approvers should ensure they include all relevant information in their approvals including the dates of the approval. **Management response** • The new finance system requires all journals to have a separate authorisation before posting to the ledger.
●	In our agreement of the fixed register to the valuation reports, it was noted that not all the latest information from the valuer had been reflected in the fixed register asset. The valuation reports also include commentary where assets have moved significantly year on year which if reviewed by the Council would likely have identified some of the issues picked up by our audit work on this.	• We recommend management implement stronger controls in relation to the processing of valuation report results into their Fixed Asset Register. **Management response** • A review will be carried out by the finance manager who oversees the asset accountant to ensure processing of valuation report has been completed.
●	Within our testing of receipts in advance and prepayments, we found significant errors in accounting, whereby income or expenditure was being recorded in advance even if cash had not been received or paid by the council as at the Balance Sheet date. This caused an equal and opposite material overstatement of Debtors and Creditors respectively. However, as this is equal and opposite, it has no impact on the overall financial position of the council.	• We recommend management implement stronger controls in relation to accounting for receipts in advance and prepayments, including detailed closedown procedures for the reporting of these balances. **Management response** • Significant training has been carried out with the accountants in the lead up to the 23/24 accounts production. Checks of all receipts in advance and prepayments have been carried out to ensure they are correctly treated.

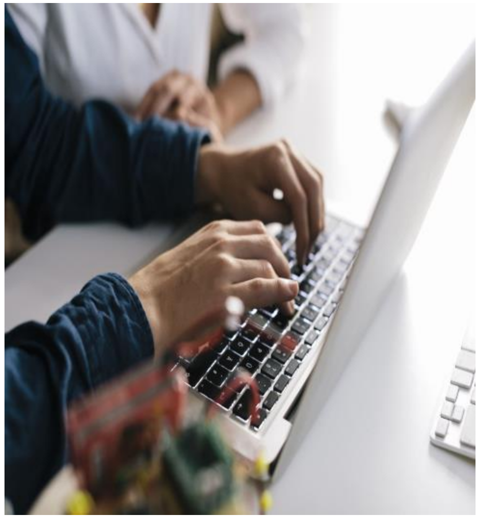
Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. OR
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers and organisations with whom the Council has loan or investment arrangements. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. A number of changes to disclosures have been made as a result of the audit. Our review found no material omissions in the revised financial statements.

2. Financial Statements - other communication requirements



Issue	Commentary
Audit evidence and explanations/ significant difficulties	In 2021/22, we have noted an improvement in the responsiveness of the Council to our audit requests and we have built a good relationship with the key members of the finance team who have supported us throughout the audit. This is evidenced by the reduction in the time taken to complete the audit than in the prior year. However, a number of issues we identified in the prior year were still visible in the 2021/22 audit, namely • Significant number of adjustments required to be made to the draft accounts even after the Council revisited the draft accounts and put in place quality assurance arrangements • IT audit work identifying a number of issues which resulted in additional audit procedures being required • Lack of review of property, plant and equipment including no challenge of significant and unusual movements in assets • Some areas of the audit where there was a significant delay in the council providing evidence and responding to queries. We consider that more work is required to ensure the Council has fully effective arrangements in place to produce complete and accurate financial statements.

2. Financial Statements - other communication requirements

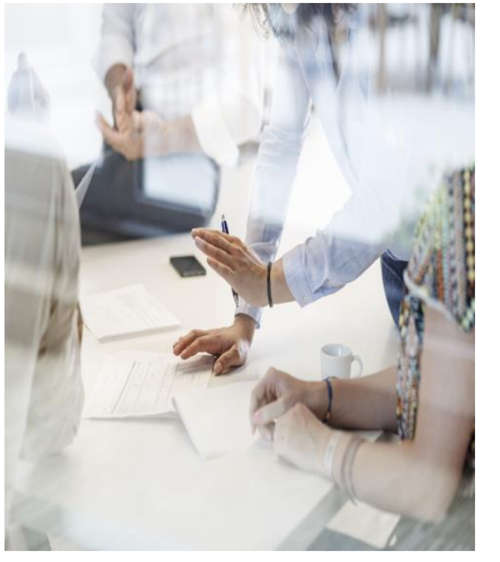
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have reported a number of significant weaknesses in respect of the Council's value for money arrangements and these were reported within the annual auditors report which was taken to the September 2023 Audit and Governance Committee. We have nothing further to report on these matters



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. For the Council, detailed work is not required as the Council does not exceed the threshold set by the NAO.
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 audit of Bournemouth, Christchurch and Poole Council in the audit report, as detailed in Appendix E.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions.

Our conclusions are summarised below. Our auditor's report, taken to the September Audit and Governance Committee contains details of the significant weakness in arrangements, as required by the code. Note we confirm there have been no changes to our overall judgements since the draft report was taken to the committee in September and the date of this report.

Criteria	Risk assessment	2021/22 Auditor Judgment	
Financial sustainability	Risks identified relate in the main due to uncertainties in relation to the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings.	Red	2 Significant weaknesses in arrangements identified (SW1) and (SW2), 2 key recommendations and 4 improvement recommendations made.
Governance	Significant risks identified in Governance in relation to leadership, partnerships and the Transformation programme	Amber	No significant weaknesses in arrangements identified, 7 improvement recommendations made
Improving economy, efficiency and effectiveness	Risk identified because of the inadequate rating issued by Ofsted in respect of children in care	Red	2 Significant weaknesses in arrangements identified (SW4) and (SW5), 2 key recommendations and 2 improvement recommendations made

Green	No significant weaknesses in arrangements identified or improvement recommendation made.
Amber	No significant weaknesses in arrangements identified, but improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendations made.

5. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms]). In this context, we disclose the following to you:

As discussed with the Section 151 Officer on 13th October 2021. the former deputy section 151 officer of the Council, has taken up employment with Grant Thornton post-year end. We have considered the ethical implications of this change of employment and we have ensured that appropriate safeguards have been in place since his commencement of employment with us.

These safeguards include the following:

- Him not having any involvement [covered person) in the BCP Council audit or its affiliates - this will be for a minimum of 2 years
- He will not be a people manager in his new role, he will therefore not people manage any of the BCP team and is therefore not able to exert influence over anyone who works on the audit
- Restricting his access to any files or documents relating to BCP or its affiliates, and ensuring he is not present at any meetings where audit issues are discussed.
- Confirming that he has resigned from the role as Director of Finance for Seascape Group Ltd, a company wholly owned by the council and companies house is aware of this.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were charged in respect of 2021/22. A full list of payments of non audit services are provided on slide 49

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	£7,500 (£5,000 for 20/21)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the estimated fee for the audit £213,875 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management	A management threat could be perceived as providing information to DLUHC is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by DLUHC and on its completion issue a report of factual findings.
Certification of Teachers Pension Return	£7,500 (£5,000 for 20/21)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £213,875 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management	A management threat could be perceived as providing information to the Teacher's pension is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the engagement in line with the Reporting Accountant Guidance issued by the Teacher's Pension.

5. Independence and ethics

Audit and non-audit services

Service	Fees £	Threats identified	Safeguards
Audit related			
CFO Insights Subscription	£10,000 (£7,692 for 20/21)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the estimated fee for the audit of £213,875 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services	The audit will consider the accounting treatment of the payments made and this is not part of CFOi service. The work will be undertaken by a team independent of the audit team
		Management	We are not taking any managerial responsibilities at the client. The scope of work does not include making decisions on behalf of management.
Certification of Housing Benefit Claim	£27,900 (£22,650 for 20/21, £19,000 for 19/20)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,900 in comparison to the total estaimted for the audit of £213,875 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management	A management threat could be perceived as providing information to DWP is the responsibility of management. To mitigate against the management threat we perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Action plan – Audit of Financial Statements

We have identified a number of recommendations for the group as a result of issues identified during the course of our audit.

Assessment	Issue and risk	Recommendations
	<u>Property, plant and equipment</u> Given the number of issues identified in the audit work on property, plant and equipment and the significant time it took to complete our work in this area we have made a number of recommendations to management to improve this area of the accounts and audit going forward. **Controls** ● High – Significant effect on financial statements ● Medium – Limited Effect on financial statements ● Low – Best practice	In relation to property, plant and equipment we recommend • The finance team should work closely with estates to ensure all parties are clear on their roles within the valuation process. • Modern Equivalent Asset (MEA) assumptions should be considered by management as part of the valuation process. • Management should review assumptions with the valuer for Highcliffe Castle due to the unique nature of the asset to ensure they are appropriate and consistent with Council records. • Management should consider the EPC rating of assets, in particular, investment properties to align with energy standards and to assess if capital expenditure will be required to bring assets up to the required standards. • We recommend management work alongside estates team to ensure information provided to the valuer is up to date and complete to avoid the need for valuation reconsiderations during the audit. Although management use an expert to support them in determining the valuations, it is managements responsibility to ensure the information they are provided with is accurately reflected in the statement of accounts and that valuation reports are reviewed for any unusual or unexpected movements, and these are then discussed with the valuer. Management response • Regular meetings are now in place between estates and finance to ensure closer working. Highcliffe castle and EPC ratings of investment properties are being considered separately for the 23/24 accounts. A review will be carried out by the finance manager who oversees the asset accountant to ensure processing of valuation report has been completed

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	Prepayments We identified an item within our debtors testing which was accounted for as a prepayment. However on review of supporting evidence it was identified that although the invoice and purchase order were dated March 2022, the invoice was not paid until April 2022 and therefore was not a prepayment in 2021/22. This resulted in corresponding debtors and creditors balance for this item but this should be have been included within the balance sheet in 2021/22.	We recommend management review their year end closedown processes in relation to accounting for prepayments, ensuring prepayments are only raised where the item has in fact been paid before year end. **Management response** • Significant training has been carried out with the accountants in the lead up to the 23/24 accounts production. Checks of all receipts in advance and prepayments have been carried out to ensure they are correctly treated.
	Receipts in advance We identified a number of receipts in advance where the item had been recorded as a receipt in advance in full when only part of the item had actually been received in advance. This resulted in creditors and debtors being incorrect for these items.	We recommend management review their year end closedown processes in relation to receipts in advance, ensuring only the element of the item that has been received is accounted for in advance. **Management response** • Significant training has been carried out with the accountants in the lead up to the 23/24 accounts production. Checks of all receipts in advance and prepayments have been carried out to ensure they are correctly treated.
	Information Technology 7 recommendation have been identified in relation to the IT control audit. A separate IT report has been shared with management providing the detail.	Management should continue to implement the recommendations as set out in the detailed IT report. **Management response** • The implementation of the new finance system was built with these recommendations in mind and there are confident there will be less recommendations going forward.
	4 recommendations have been made in respect of internal control – see page 22 for these. A number of prior year recommendations are still in place – see page 37 – 40 for these.	See pages 22 and 37 - 40

B. Follow up of prior year recommendations

We identified the following issues in the audit of Bournemouth, Christchurch and Poole Council's 2020/21 financial statements, which resulted in 10 recommendations being reported in our 2020/21 Audit Findings report. A number of these are still outstanding or need further actions from management.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>Information Technology</u> 12 recommendations have been identified in relation to the IT control audit. A separate IT report has been shared with management providing the detail. This report was discussed with the Audit and Governance Committee in October. Further details are recorded on page 26.	The councils new finance system went live on 1 April 2023 and therefore this recommendation is still outstanding in 2021/22.
X	<u>Financial Statements – Presentations and working papers</u> As identified in the previous year, the Council remains on a journey to fully integrate its financial systems. A number of errors were identified in the financial statements and the quality of evidence provided to support the financial statements is not always sufficient. There remains the need to focus attention on providing the right information first time and with suitable supporting evidence to support samples selected for testing	The Council undertook a quality review of the 2021/22 financial statements once the 2020/21 audit was complete to reflect issues found in the 2020/21 audit. We have noted improvement in the audit process from the prior year however continue to recommend that management improve it's quality review process going forward.

Assessment

✓ Action completed

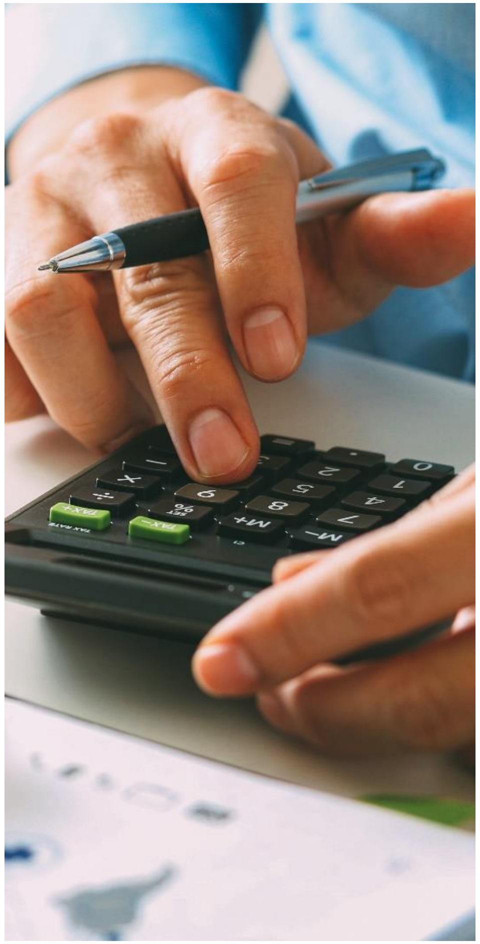
X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>Land and Buildings</u> The council has a significant portfolio of land and buildings assets. The valuation o these assets is managed by the estate development who instruct valuation specialists to undertake valuations in accordance with the Council's policy. Three valuation specialists are currently engaged, including a new valuer for the whole general fund. The Council has designed a number of controls to ensure that large movements in asset values and potential errors can be identified and resolved, however our work has determined that comments made by the valuer are not being reviewed and followed up allowing errors to occur in the financial statements. We reported last year that legacy Bournemouth valuations could not always be supported by floor plans and the Council has undertaken a process to produce floor plans for its assets. Our testing of valuation reports identified that although floor plans had been obtained, the correct details had not been uploaded to the Council's TF Cloud System which the valuer used to produce his valuations. This has allowed errors to again be present in the valuations provided. Management also produced the financial statements using draft valuation figures resulting in incorrect figures being used to produce the financial statements. The format of the valuation report which separated legacy Bournemouth assets from those acquired from other legacy authorities and including operational, surplus, investment and charity assets in one report also required significant work to reconcile to the asset register. During its first year of operation, the Council focused on ensuring that all assets from its legacy entities were captured. The fixed asset register consists of manual excel spreadsheets and this increases the potential error Although the Council has implemented controls to assess the property valuations received it is evident that sufficient challenge of these figures remains lacking	Given a number of errors and issues were identified with the 2021/22 land and buildings valuations, we will continue to recommend management focus on this area. Management response • The finance team and estates team continue to work closely to ensure problems highlighted in the audit can be resolved. The council is continuing to develop an electronic asset register with implementation due alongside the 24/25 accounts.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>Payroll System</u> The Council currently has two payroll systems inherited from its legacy bodies. In addition 10 schools, mainly in the Christchurch area, engage Dorset Council to provide payroll services. The reconciliation between the output of these payroll systems and the financial systems was not straight forward and caused delays in our ability to perform our testing Our testing also identified that contract documentation for a number of employees sampled were not available for review	The payroll reconciliation continues to require significant auditor input. We did not identify any further issues regarding contract documentation. **Management response** • The continuation of the payroll systems is likely to be in place for a number of years until a new system is procured. System reporting is limited and therefore there are limited improvements that can be made to the process at this time.
X	<u>Journals</u> The Council has five finance managers, with responsibility to authorise journal entries posted by more junior staff. Our journal testing has identified that three finance managers are instructing junior staff to post journals which they then subsequently authorise. This renders the underlying control ineffective and more junior staff are less likely to challenge the purpose of any journal.	We did not identify any instances in relation to the three managers instructing others to post journals on their behalf in 2021/22. However, we did identify one different manager who did instructs others to post journals on their behalf. We have made a further recommendation in relation to this. **Management response** • All staff have been reminded to not post journals on behalf of others. The new finance system does allow journals to be delegated to other approvers if there are any instances where an officer is instructed to post.
X	<u>Bad debt policy</u> Management has not yet set up an aligned debt management policy for the whole of the Council to define actions in the case of non-recoverability and regular review of historic debts that are held on the system.	Our review of the bad debt policy identified different proposed percentages for outstanding debt for sundry debtors than the percentages being used in practise. The policy does not cover actions in case of non-recoverability and regular review of historic debts. **Management response** • A refined policy has been put into place covering all three legacy systems for debtors. There are some occasions when debt does require a judgement to be made on bad debt rather than applying a fixed percentage in all cases. When this occurs decisions will now be documented.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>Bournemouth council house asset register</u> As the Council continues to align its processes following reorganisation, the recording of the council house assets in the underlying records for the Poole neighbourhood is maintained at a greater level of detail than is the case for Bournemouth assets. This allows for a more detail of the underlying asset base ad corresponding revaluation reserve to be provided.	This will be implemented from 2022/23 as the management of Poole and Bournemouth housing has returned in house therefore the asset register will be produced on a consistent detailed level. **Management response** • This has now been resolved as the HRA management has been brought together.
TBC	<u>Infrastructure impairments</u> The Council has arrangements in place to monitor the condition of infrastructure assets and this activity informs the annual maintenance programme and that informal inquiries are made of the relevant service departments, but no formal written impairment review document is prepared at that time.	Based on the evidence provided this year it is clear that the council have put in place additional measures to formalise the arrangements for the reviews undertaken at year end. They have worked on making the review process more clear, and making the asset register easier to understand so that the risk of missing an impaired or de-recognised asset. The approach taken by the council is reasonable and they have responded to our recommendation appropriately. Given that the statutory instrument was implemented in 2020/21 and therefore gives the opening position for 2021/22, the risk of material misstatement is low. The risk of impairments in 2021/22 being materially incorrect is low. We will continue to monitor this in future audits, given the highly material Infrastructure assets balance.
TBC	<u>Infrastructure asset lives</u> During the audit, we identified that the assigned asset lives for infrastructure were not fully aligned between assets acquired from the different legacy authorities. We also noted that infrastructure additions during the year, were not in line with the Council's policy. We also identified that infrastructure additions in the legacy authorities were not recorded in the asset register in sufficient detail. There is a risk that asset lives allocated do not reflect the expected period of use and that depreciation is not uniformly charged across the asset base.	As the statutory instrument provides the opening position for 2021/22, to obtain assurance that asset lives are appropriate, we have performed a review of all UEL's applied infrastructure additions in 2021/22. No issues have been identified in this so we deem the asset lives that have been applied to infrastructure additions to be reasonable. Asset lives have been appropriately and consistently applied to additions and therefore our recommendation has been actioned appropriately. We will continue to monitor this in future audits, given the highly material Infrastructure assets balance.
X	<u>Leases</u> Our review of the accounts noted that there had been a significant movement in the disclosures of both finance and operating leases where the Council is the lessor. Our testing identified a number of errors and omissions within this note.	We continued to identify a number of issues on our review of the lease disclosures within the accounts. This continues to be an area the Council need to improve their records and working papers to ensure accurately disclosed figures within the notes. **Management response** • A thorough review of all leases of the Council has been taking place in the lead up to the new accounting requirement for 24/25 accounts.

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. This has not been amended as it is not a material error and only impacts on categorisation within the balance sheet. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Grants receipt in advance were overstated and debtors understated	Nil	Cr Grants received in advance £1.304m Dr Non-Current Debtors £1.304m	Nil	Nil	Not material error
Pension liability overstated by £2.7m		Dr Pension Liability £2.7m Cr Pension Reserve £2.7m			
Overall impact	**Nil**	**£2.7m increase to unusable reserves**	**Nil**	Nil	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Infrastructure assets depreciation We identified that the Council had not fully aligned the asset lives of its infrastructure assets for legacy Bournemouth and Poole assets, with Poole assets having a longer asset life. Had all asset lives been fully aligned, the depreciation charge would increase by £2,717k)	2,717	(2,717)	2,717	The impact is immaterial
Operating expenses Our testing identified that operating expenses included a transaction for a service contract covering the period 31 October 2020 to 30 October 2021. A prepayment should have been recorded for the element of the invoice relating to the 2021/22 year end and as such operating expenses was overstated by £28,000. Due to the large number of transactions within operating expenses we were unable to determine that this error was isolated and we have extrapolated this result across the population which results in a potential error of £2.2 million. This is below our performance materiality. On this basis we are satisfied that this error is unlikely to result in a material misstatement within the financial statements. We do not expect management to correct for this extrapolated error.				

Note – there is no ongoing impact of the operating expenses unadjusted error as this would have corrected on being brought forward in 2021/22.

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022. The first group of adjustments set out below are those made by management between their first version of the draft accounts and the second version of the draft accounts.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Differences between Original draft accounts and final accounts as a result of client revision were noted in the CIES.	Adult Services - Dr gross income £0.055m Childrens Services – Cr gross expenditure £0.341m Childrens Services - Dr gross income £1.932m Environment & Community and Regeneration & Economy(now merged into 'Operations') - Cr gross expenditure £0.241m Environment & Community and Regeneration & Economy(now merged into 'Operations') - Dr gross income £4.638m Resources - Cr gross income £3.321m Corporate Items - Cr gross expenditure £0.646m Other Operating Expenditure - Cr gross expenditure £7.389m Other Operating Expenditure - Dr gross income £6.668m Financing and Investment Income & Expenditure - Dr gross expenditure £0.217m Financing and Investment Income & Expenditure - Cr gross income £0.299m Taxation and Non-specific grant income - Cr gross income £3.220m		Decrease in net expenditure £1.947m
As a result of an amended made by the Council prior to the audit, followed by the update due to the Triennial valuation dated 31/03/2022, there has been a decrease in the value of the Council's share of the Pension Fund net liability. Movement in Financing & Investment expenditure also included in movements above) and not double counted, just presented separately to show impact.	Dr Remeasurement of the net defined benefit liability £63.140m Cr Financing and Investment Income and Expenditure £0.082m	Dr Pensions liability £75.126m Cr Pensions reserve £75.126m	Decrease in net expenditure £63.140m

C. Audit Adjustments continued

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Surplus on Revaluation of Non-Current Assets During our reconciliation of the Bournemouth HRA FAR to the accounts, we noticed an equal and opposite difference between Revaluation movement and disposals. This has nil impact on the Balance Sheet and nil impact in the CIES, but sees above trivial movements in CIES line items. The movement in Operating Expenditure has already been accounted for in the CIES movements on page 42, therefore showing nil impact on net expenditure here.	Dr Surplus on Revaluation Movement £0.722m Cr Other Operating Expenditure £0.722m	Dr Revaluation Reserve £0.722m Cr Capital Adjustment Account £0.722m	Nil impact
Property, plant and Equipment: A number of adjustments were made to the property, plant and equipment notes as set out on pages 11-14 of this report.	Cr Surplus on Revaluation of NCAs £9.250m	Dr PPE £10.162m Cr Revaluation Reserve £9.250m Cr Capital Adjustment Account £0.912m	Decrease in Net expenditure £9.250m
As part of our creditors testing we identified receipts in advance where the full amount of the item was accounted for as a receipt in advance when only a portion of the amount had in fact being receipted in advance. Part of this adjustment (£0.620m) relates to a transfer between Other payables due and Receipts in advance, the net decrease in creditors is £10.342m (all relating to RIA errors), which is an equal and opposite adjustment in Short Term Debtors.	Nil impact	Cr Short Term Debtors (Trade Receivables outstanding) £10.342m Dr Short Term Creditors (Receipts in advance) £9.722m Dr Short Term Creditors (Other payables due) £0.620m	Nil impact
As part of our debtors testing, a prepayment was selected for testing and the supporting evidence showed that the invoice and purchase order were received however payment was not made until after year end. This item should not have been accounted for as a prepayment in 2021/22.	Nil impact	Dr Short Term Creditors (Trade Payables due) £3.109m Cr Short Term Debtors (Prepayments) £3.109m	Nil Impact

C. Audit Adjustments continued

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Given the timing of the publication of the accounts, the Council uses prior year audited accounts of the three consolidated charities for the group accounts, adjusting these for changes to the material land and buildings figures. On reperformance of the group consolidation schedule, it was noted that there were differences in the total group income and expenditure above triviality when using the audited current year figures compared to the prior year figures. The consolidation therefore was revised using the current year audited accounts.	Dr Expenditure £0.804m Cr Income £1.108m	Cr reserves £0.304m	Decrease in net expenditure £0.304m
An instant access account was incorrectly classified as a short-term investment when it's correct classification is cash and cash equivalents. Short term investments overstated £29.975m Cash and Cash equivalents understated £29.975m	Nil impact	Dr Cash and Cash Equivalents £29.975m Cr Short Term Investments £29.975m	Nil impact
A reconciling item was identified on the bank reconciliation which has been incorrectly treated, understating the cash balance.	Nil impact	Dr Cash and Cash Equivalents £1.082m Cr Short Term Debtors £1.082m	Nil impact

C. Audit Adjustments continued

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor Comments	Adjusted?
Note 1c – expenditure and income analysed by nature	The REFCUS balance reported in Note 1c was amended by the Council prior to the note being audited, decreasing REFCUS by £0.786m. This amendment also impact the grant income note.	✓
Note 1c – Income from contracts with service recipients	The income from contracts with service recipients note included all fees, charges and other service income. We challenged whether this was correct and on further review the Council that the disclosure did include income which did relate to contracts with service recipients. The note has been updated to reflect this. As the change to the note is material, the prior year note has also been updated to reflect the change.	✓
Note 9 – other operating expenditure	Net cost of disposal overstated £0.721m. This adjustment was identified and made by the Council prior the note being audited.	✓
Note 11 / Note 30 - Taxation and non-specific grant income	The Local Council Tax Support Scheme grant £3.835m was incorrectly included within NNDR Section 31 Grant in note 11. This has been moved to Note 30 .	✓

C. Audit Adjustments continued

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor comments	Adjusted?
Note 12 – Property, Plant and Equipment	A number of error were identified and amended within the property, plant and equipment note including: • note 12 missing the 'effects of change in estimates' disclosure • note 13 missing disclosure for transfers between fair values, missing narrative to disclosure as well as clarity on valuation methodology details. • the revaluations table within note 12 incorrectly showed all HRA assets as revalued however HRA assets under construction and HRA plant and equipment are valued at historic costs (totalling £13.049m). The table was updated to reflect this. This table was also updated to reflect the valuation movements in Land & Buildings assets.	✓

C. Audit Adjustments continued

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor comments	Adjusted?
Note 12.1 – Infrastructure Assets	Prior to the infrastructure assets note being audited, the Council updated the note to reflect the findings from the prior year audit in relation to infrastructure assets.	✓
Note 14 – Financial Instruments	A number of errors were identified within the financial instruments note which have been amended. The Council also updated the format of their financial instruments note.	✓
Note 21 Unusable Reserves	As a result of adjustments in the primary statements (as noted in Appendix C previously), this has influenced the Reserves notes in equal capacity.	✓
Note 27 – Officers remuneration – bandings note, officer salaries table and exit packages	Errors identified and amendment within the officer's remuneration notes for - employers pension amounts for two senior officers were incorrect - two employee terminations were removed and one termination classification was changed.	✓
Note 29 – Dedicated Schools grant	The dedicated schools grant note was updated by the Council prior to the note being audited to include the DSG usable reserve position at the end of 2020/21 and 21/22	✓
Note 30 – Grant Income	The following adjustments were made by the council between version 1 and version 2 of the draft accounts: Credited to Taxation and Non-Specific Grant Income PFI Support Grant - Cr £372k - change from £1,254k to £1,626k. Covid 19 Tranches Grant - Cr £6,678k - change from £9,893k to £16,571k. Credited to Services Miscellaneous - decrease (Dr) of £76,681k - change from £128,243k to £51,562k.	✓

C. Audit Adjustments continued

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 22 and Note 23 – Cashflow Statement notes	Prior to auditing the cashflow statement and notes, the Council made a number of adjustment to the cash flow statement. These amendments had no overall impact on the overall cash and cash equivalents at the end of the period. From our review of the cashflow statement and notes, we identified the proceeds from short term and long term investments were incorrectly shown as an adjustment to the surplus or deficit on the provision of services when should be shown within investing activities. As this was a material adjustment, the Council also updated the prior year figures to reflect this. 2021/22: Proceeds from ST and LT investments (adjustments for items that are investing and financing activities) – adjusted from £1,039m to zero Proceeds from ST and LT investments (CFS Investment activities) – adjusted from zero to £1,039m 2020/21: Proceeds from ST and LT investments (adjustments for items that are investing and financing activities) – adjusted from £2,314m to zero Proceeds from ST and LT investments (CFS Investment activities) – adjusted from zero to £2,314mm These changes are also reflected on the face of the cash flow statement for 2020/21 and 2021/22.	✓

C. Audit Adjustments continued

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 31 – Related Parties	Immaterial disclosure adjustments to this note to bring this in line with the council's ledger records.	✓
Note 33 Leases	Prior to us auditing the leases notes, the Council made a number of adjustments to the notes in light of the findings from the 2020/21 audit. On our review of the updated noted, we identified several issues which resulted in further amendments to the note.	✓
HRA Income and Expenditure Statement	Prior to auditing the HRA income and expenditure statement, the Council increased the gain on disposal of HRA fixed assets by £0.722m	✓
Collection Fund Statement	Prior to auditing the collection fund statement, the Council amended the statement reducing overall income by £84m and overall expenditure by £84m. The format of the collection fund was also updated post audit review.	✓
Notes to the collection fund – distribution of estimated balance	Prior to auditing the collection fund notes, the Council amended the distributed of estimated balance note reducing the total by £4.897m	✓
Note 35 – Defined Benefit pension scheme	The defined benefit pension scheme notes where updated to reflect the changes due to the Triennial review.	✓

D. Fees

We have finalised our fees for the 2021/22. Details on the provision of non-audit services is detailed below.

Audit fees	2020/2021 final fee	2021/22 indicative fee	2021/22 final fee
BCP Council Audit (scale fee element £130,000)		£213,875	£246,000
Additional work required on IAS19 disclosures (as explained on page 15)		£0	£6,000
Total audit fees (excluding VAT)	£261,500	£213,875	£252,000

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services	£42,900	£42,900
Other – CFO insights	£10,000	10,000
Total non-audit fees (excluding VAT)	**£50,300**	TBC

Other Non-audit fees billed from 1 April 22 – November 23 (relating to 19/20 and 20/21	Amounts billed
Audit Related Services	£51,584
Other – CFO insights	£7,692
Total non-audit fees (excluding VAT)	**£59,276**

Audit fees reconciliation to fees included within Statement of Accounts:

Per note 28:

Total fee payable in respect of audit £0.256m: this relates to £0.213m for the BCP Council audit (agreed to above), £0.038m for grant claims and returns (difference of £4.9k to above due to difference in planned and actual fees) and £5k in relation to the prior year grant claims (in relation to teachers pension) and therefore not included above. The additional £0.006m shown above for IAS 19 disclosures has not been formally agreed and therefore is not included within the statement of accounts.

Fee payable in respect of other services £0.01m – this relates to the CFO insights fee and agrees to the above.

Audit fees for charities £0.037m – the charities are not audited by Grant Thornton and therefore the fee not included above.

D. Fees – detailed breakdown

We set out below our final fees for 2021/22

Audit fees	indicative fee	Final fee
Audit Scale Fee	£130,000	£130,000
Additional Fees previously raised*	£83,875	£83,875
Proposed Audit Fees in Audit Plan	£213,875	£213,875
Additional Fees		
- Additional work required on IAS19 disclosures (as explained on page 15)		£6,000
- VFM		£14,500
- IAS19 additional work – pension fund auditor		£3,000
- Number of errors in draft disclosures and supporting resulting in re-testing. The most resource intensive: • errors in property valuations requiring revaluation and testing • additional work required to gain assurance over receipts in advance and prepayments due to errors identified • additional work required on testing on leases notes due to errors identified		£11,875
- Extra attendance at Audit & Governance Committee		£2,750
Total Proposed Audit Fees		£252,000

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E. Audit opinion

Independent auditor's report to the members of Bournemouth, Christchurch and Poole Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Bournemouth, Christchurch and Poole Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the, Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement , the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority 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 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

We are responsible for concluding on the appropriateness of the S151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

E. Audit opinion

In our evaluation of the S151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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 or the group'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.

In auditing the financial statements, we have concluded that the S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the S151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the S151 Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

E. Audit opinion

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the S151 Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the S151 Officer. The S151 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the S151 Officer is responsible for assessing the Authority's and the group'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 there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

E. Audit opinion

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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012;
- We enquired of senior officers and the Audit and Governance Committee, concerning the group and Authority’s policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group’s financial statements to material misstatement, including how fraud might occur, by evaluating officers’ incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals and significant management estimates.

E. Audit opinion

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the S151 Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on journals posted by senior finance officers, those with blank descriptions, those posted on behalf of another person and journals not authorised in line with the Council's policies.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment properties and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property valuations and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on 31 August 2023 we identified:

- A significant weaknesses in the Authority's arrangements for financial sustainability. This was in relation to how the Authority plans and manages its resources to ensure it can continue to deliver its services detailed in the Authority's Medium Term Financial Plan and associated transformation programme including delivery of savings. We recommended that the Authority:
  - Undertake an urgent review of the Transformation Programme due to inherent weaknesses in the control and management of the programme, as well as the delivery of savings and management of costs;
  - Ensure there is a robust methodology for monitoring and tracking operational and transformation savings and that reporting an actual performance against plan is more transparent;
  - Ensure that the Transformation Programme is fully financed before there are further commitments to the programme are made;
  - Review the continued sustainability of reserves and balances and ensure the Medium-term financial plan demonstrates a realistic plan to replenish reserves and balance the budget gap in the medium term; and
  - Must not enter into high-risk ambitious and challenging projects without the proper and full consideration of governance arrangements and ensure they are adhered to. Members must consider all advice from statutory officers and ensure they have the best technical, professional and legal support before considering any high-risk and challenging projects.
- A significant weakness in respect of the Authority's governance arrangements. This was in relation to the Authority not enter into high-risk ambitious and challenging projects without the proper and full consideration of governance arrangements and ensure they are adhered to. We recommended that the Authority:
  - ensures members consider all advice from statutory officers and ensure they have the best technical, professional and legal support before considering any high-risk and challenging projects.
- A significant weakness in respect of the Authority's arrangement to secure economy, efficiency and effectiveness. The November 2020 findings of a focussed Ofsted inspection of the Authority's children's services identified significant failings. We recommend that the Authority:
  - should continue to address the weaknesses identified by Ofsted and the Department for Education to ensure all children have access to quality services which meet their needs in a timely manner.

E. Audit opinion

- A significant weakness in respect of the Authority's arrangement to secure economy, efficiency and effectiveness. This was in relation to the Authority's transformation programme in both the context of costs and delivery of savings. The management of the programme needs to be improved and tangible plans detailing key milestones, and key deliverables need to be circulated to members for scrutiny. We recommended that the Authority

  - Ensure it has a robust decision making processes in place for specific initiatives including the transformation programme, BCP FuturePlaces and other service delivery models as well capital projects and small investments;
  - Ensure there is robust scrutiny and a sound business case for selling Council assets to the fund the transformation programme, This should include a fit for purpose mechanism for developing Business Case, financial appraisal models , and sufficient programme management support to ensure programme objectives are identified, project plan are developed, objectives are delivered, and risk /reward and issues are identified and mitigated/enhanced;
  - Establish a regular cycle of reviewing business plans in relation to all its high value and high-risk investments including its subsidiary companies such as BCP FuturePlaces.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 review of the Authority's arrangements for securing 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 be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- 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.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

E. Audit opinion

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Bournemouth, Christchurch and Poole Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature – To be added

Peter Barber, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date – To be added

E. Audit opinion

Grant Thornton

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