



Our Ref:

Dear Engagement Partner

This representation letter is provided in connection with your audit of the financial statements of Lewes District Council for the year ended March 2021. We acknowledge our responsibility for preparing financial statements that give a true and fair view of the financial position of Lewes District Council as of March 2021 and the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"). We confirm, to the best of our knowledge and belief, subject to the pervasive matters that resulted in the disclaimer of opinion, the following representations:

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including principal conditions or events and our plans. In making our going concern assessment we have adopted the 'continuing provision of service' approach and accordingly we are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. There are no circumstances that we are aware of that would affect the

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appropriateness of the 'continuing provision of service' approach. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of applicable financial reporting framework are appropriate and have been applied consistently.
8. The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures.
9. The disclosures related to accounting estimates under the Council's applicable financial reporting framework are complete and appropriate.
10. There have been no subsequent events that require adjustments to the accounting estimates and disclosures included in the financial statements.
11. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets and assets pledged as collateral.
12. We have recorded or disclosed, as appropriate, all liabilities both actual and contingent.
13. We are not aware of any deficiencies in internal control other than as raised in audit process, by internal audit, or disclosed in the Annual Governance Statement.
14. We have considered the accounting for inventory (total value £73k), which as disclosed in the financial statements is not accounted for in accordance with IFRS (as is on a "last invoice" basis). We confirm we do not consider this area of non-compliance to be significant to the financial statements.
15. We acknowledge our responsibility for ensuring appropriate processes and controls are in place in respect of Covid-19 specific funding and expenditure streams. We have considered the accounting treatment of grants received, including whether the Council is acting as agent or principal in respect of transactions, and whether any amounts receivable or payable should be accrued, reflecting all relevant guidance and circumstances.
16. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled with and deferred income to the extent that they have not.
17. We have considered the valuation of the Council's Property, Plant and Equipment that have not been subject to revaluation in year and are not aware of any circumstances indicating an impairment or volatility in asset values (either in year, or on a cumulative basis since the last revaluation of the assets) that would suggest the carrying value is materially misstated as a result of it not being revalued.
18. We have reconsidered the remaining useful lives of the Council's Property, Plant and Equipment and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.

19. We confirm that:
 - a. all retirement benefits and schemes, including funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - b. all settlements and curtailments have been identified and properly accounted for;
 - c. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - d. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - e. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - f. the amounts included in the financial statements derived from the work of the actuary are appropriate.
20. We have reviewed our provisioning for Non-Domestic Rates appeals and consider that the assumptions used reflect our best assessment of the liability in respect of appeals.
21. We have reviewed our provisioning for recoverability of non-exchange debtors, including in respect of Non-Domestic Rates, Council tax and Housing benefit overpayments, and consider the assumptions in respect of recoverability to reflect our best assessment of the recoverable amount of these balances.
22. A national issue emerged in 2023 regarding the use of Reinforced Autoclaved Aerated Concrete (RAAC) in public sector buildings. Buildings with this material have been found to be structurally unsound and, in some instances, were closed due to safety concerns. We reviewed the work performed by the Council to consider the potential for presence of RAAC in the Council's estate, and assessment of the risk against the value of properties not yet inspected and consider the risk in remaining assets to be inspected to be immaterial to the financial statements.

Information provided

23. We have provided you with all relevant information and access as required the Local Audit and Accountability Act 2014 other than as noted in representation 36 – the 'unresolved audit queries' representation below.
24. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
25. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error and we believe we have appropriately fulfilled those responsibilities.
26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
27. We are not aware of any fraud or suspected fraud that affects the council and involves:
 - (i) management;

- (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- 28. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the council's financial statements communicated by employees, former employees, analysts, regulators or others.
- 29. All minutes of member and management meetings during and since the financial year have been made available to you.
- 30. We have disclosed to you all known instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements.
- 31. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- 32. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
- 33. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
- 34. We confirm that all of the disclosures within the Narrative Report and Annual Governance Statement and in the remuneration disclosures within the financial statements, have been prepared in accordance with the relevant legislation and guidance.
- 35. We confirm that:
 - (i) we consider that the council has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
- 36. Due to the time constraints of the backstop, we have not been able to respond to all queries you have raised in respect of the financial statements. In respect of the unresolved audit queries listed in the Appendix, we confirm that we are not aware of any matters that would require any adjustments to the financial statements, including to the disclosures included therein.
- 37. We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 38. We are not aware of any deficiencies in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Board of Directors

Appendix 1

Schedule of Uncorrected Misstatements

Unadjusted misstatements - 2020/21

The following uncorrected misstatements have been identified in respect of the 2020/21 financial statements, which we request that you ask management to correct as required by ISAs (UK).

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in current year						
Understatement of IAS 19 Pension Fund Level 3 Assets	[1]	(0.4m)	0.4m	-	-	N/A

[1] In obtaining the Grant Thornton protocol letter in relation to the pension fund held by Barnett Waddingham it was noted that level 3 investments have been understated by £25.2m, which taking forward the 1.76% share of the fund by Lewes District Council, represents a £443k uncorrected misstatement.

In the 2019/20 audit, we had reported the misstatement shown below. We have not determined whether the misstatement identified in the previous year's audit has been corrected at 31 March 2021, or the impact of any reversal on the financial statements for 2020/21.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in prior periods						
Understatement of NNDR Provision	[1]	0.2m	(0.2m)	-	-	N/A

[1] We identified a judgemental understatement of the provision for National Non-Domestic Rates appeal provision of £186,000.

Disclosure deficiencies:

Unadjusted disclosure misstatements

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<p>There are a number of areas of rounding differences and inconsistencies within the financial statements, which would ordinarily be corrected as part of the finalisation of the financial statements. For example, on page 11 of the narrative reporting, in the table under section 6.3, the Sum total of Reserves & Balances should be £19,589k, however the total balance reflected here is equal to £19,409k.</p> <p>The Council has not cross referenced each item in the Balance Sheet to its related information in the notes as required under the CIPFA code.</p>	CIPFA code 3.4.2.86	Inconsistencies are below materiality.
<p>Information in relation to the fair value disclosures required for financial instruments under the CIPFA code was not appropriately disclosed. The missing disclosures related to:</p> <ul style="list-style-type: none"> - The Council has not provided quantitative information about the significant unobservable inputs used in the fair value measurement categorised as level 3 or given any information around the sensitivity within these unobservable inputs. - The classification of fair value of financial assets between Level 2 and Level 3 has changed year on year but not disclosure has been given as to the reason why or the Council's policy for transferring financial assets between levels and why this is appropriate. - A description of the valuation processes used in determining level 3 financial instruments has not been disclosed. 	CIPFA code 2.10.4.1.3) a)	N/A

Unadjusted disclosure misstatements (2)

Disclosure misstatements (2)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<p>Information around the credit risk management practices has not been fully reflected as required under the CIPFA code. The Council has not provided information in relation to:</p> <ul style="list-style-type: none"> - The Council's definitions of default, including the reasons for selecting those definitions; - How the Council determined that financial assets are credit-impaired financial asset; and - The Council's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written off but are still subject to enforcement activity. 	CIPFA code 7.3.3.11	N/A
<p>The Council has not disclosed the methods and, when a valuation technique is used, the assumptions applied in measuring fair values of financial instruments in accordance with the requirements of Section 2.10 of the CIPFA Code.</p>	CIPFA code 7.3.2.18	N/A
<p>Items reflected as critical judgements and key sources of estimation uncertainty within note 4 and 5 of the financial statements does not meet the definition of key judgements or key sources of estimation uncertainty. The notes therefore do not comply with IAS1.</p>	IAS1 1.122, IAS1 1.125 and CIPFA code 3.4.2.91 and 3.4.2.92.	N/A

Unadjusted disclosure misstatements (3)

Disclosure misstatements (3)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Key performance indicator (KPI) disclosure requirements do not adhere to the requirements set out in the CIPFA code. The following information is not included in the narrative report as required: - The KPIs do not reflect comparative balances; and - There is no narrative included in the narrative report to explain year on year movements within the KPIs.	CIPFA code 3.1.1.12 and 3.1.1.13	N/A
The Council has not disclosed an age analysis of assets that are past due but not impaired as at the reporting date as required under the CIPFA code.	CIPFA 5.2.4.2	N/A
The council should disclose the following in relation to subsequent events: a. Whether the statements were amended for subsequent events following the audit; b. Where information about conditions at the reporting date is received after the reporting period, but before the financial statements are authorised, disclosures should be updated for the subsequent information and conditions.	CIPFA code 3.8.4.1	N/A
The audit fee note should include explanatory narrative about the position given that there is both an unaccrued amount in respect of previous year costs, but also a need to accrue costs for the current year – the guidance in CIPFA Bulletin 18 has not been followed for backstop impacted accounts.	CIPFA Bulletin 18	N/A

Unadjusted disclosure misstatements (4)

Disclosure misstatements (4)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Disclosures, numbers and balances relating to the prior year has been noted that did not align to the signed prior year financial statements. The detail of these inconsistencies are below: • The prior year comparative in relation to Eastbourne Borough Council service costs, on page 57 per note 12 - £370,614, recharged do not agree to the signed Statement of accounts - £121,069. If this has been restated, the required restatement disclosures have not been made, and the value is immaterial and therefore a restatement would not be made. • The total property plant and equipment closing balance sheet position for 2019 on page 63 - £316,675k - do not agree to the signed financial statements - £311,014k. This is due to the fact that figures presented for the net book values as at 31 March 2019 are actually the gross book values and so an error in what is being presented. • The asset allocation figures for 2019/20 on page 84 do not appear to match the prior year accounts. The table does not show individual lines for cash or real estate that was reflected in the 2019/20 accounts. The table is also inconsistent with the one above it, which shows 2% in cash vs 7% in the lower table, 17% in bonds vs 15%, etc. The first table seems consistent with the prior year accounts but is missing 1% in "other debt securities" as noted in the prior year.	N/A	N/A

Disclosure misstatements (5)

Disclosure
Other disclosure deficiencies noted: - On page 51 within note 7b, note 2 reflects prior year information relating to impairment losses however no information is given in relation to the current year. - On page 57 relating to Note 12 - related parties. The narrative in regard to Eastbourne Borough Council could benefit from a more detailed discussion of the Council's relationship with Eastbourne Borough Council. - On page 59 within note 15 relating to grants and contributions receivables under the notes paragraph reference is made to 'Other Grants and Contributions excludes Covid-19 Grant income of £35.65m where the Council is acting as an intermediary agent for the government, rather than on its own behalf, for amounts paid over directly to businesses. No comparative balance is included in the narrative. - The narrative within note 18.3 on page 64 - valuation of property - could benefit from a more detailed discussion of the Council's valuation process for its assets. - The AGS reflects a table on joint ventures, which refers incorrectly to a £10m loan to Aspiration Homes. This is a facility rather than a loan. - The AGS refer to Lewes Housing Investment Company Ltd being an active company. This is incorrect as the company is dormant.

Unresolved audit queries:

TBC at date of signing