

# SPELTHORNE BOROUGH COUNCIL

Combined Audit Planning Report and Audit Completion Report: Year ended 31 March 2023

Report to the Audit Committee

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# Welcome

## Introduction

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This is our combined Audit Planning Report and Audit Completion Report to the Audit Committee of Spelthorne Borough Council. The National Audit Office has issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audit in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may therefore be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared a combined Audit Planning Report and Audit Completion Report.

The reset legislation to the Accounts and Audit Regulations requires auditors to issue an opinion on all Statement of Accounts up to 2022/23 before the 13 December 2024 'backstop' date. This will result in modified audit reports that reflect the extent to which the audit has been progressed by that date. Where an audit has not progressed to any material extent, this will result in a 'disclaimed' opinion noting that the auditor is unable to provide an opinion on those Statement of Accounts.

We have undertaken limited scoping and planning work but not performed a risk assessment in accordance with the auditing standards and undertaken no audit testing of the transactions, balances or disclosures in the Statement of Accounts. As a result, we intend to issue a disclaimed opinion on the Statement of Accounts.

The reset guidance also recommends that the auditor completes the review of use of resources and reports these findings in the Auditors Annual Report before 13 December. However, there are circumstances where the use of resources work may be delayed beyond the backstop date. The Council is currently subject to a Best Value Inspection and the Inspection team is unlikely to complete this review before 31 January 2025. As a result, we will not complete our use of resources work until the Best Value Inspection team has reported its findings.

We look forward to discussing these matters with you at the Audit Committee meeting on 4 December 2024.

Leigh Lloyd-Thomas, Key Audit Partner  
For and on behalf of **BDO LLP**

27 November 2024



**Leigh Lloyd-Thomas**  
Key Audit Partner

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This report has been prepared solely for the use of the Audit Committee and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# Overview

## Audit scope and objectives

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Reporting	Objectives
<b>Auditing standards</b>	We are required to perform an audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
<b>Local Audit Reset and Recovery Implementation Guidance (LARRIGs) and Code of Audit Practice</b>	We are required to perform our audit in accordance with LARRIGs and the Code of Audit Practice 2024 published by the National Audit Office. If the audit is not complete before 13 December 2024, we are required to issue an opinion on the Statement of Accounts to reflect the work undertaken by this 'backstop' date.
<b>Financial statements</b>	We are required to express an opinion on Spelthorne Borough Council's financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2022/23 and other directions.
<b>Additional powers and duties</b>	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to Spelthorne Borough Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
<b>Use of resources and Auditor's Annual Report</b>	Our work on the Council's value for money arrangements remains ongoing at the date of this report. Once completed, we will provide a commentary on Spelthorne Borough Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from Spelthorne Borough Council. The Auditor's Annual Report is required to be published by Spelthorne Borough Council.

# Overview

## Executive summary

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This summary provides an overview of the audit of the financial statements for Spelthorne Borough Council for the year ended 31 March 2023.

### Responsible financial officer (RFO)

The Accounts and Audit Regulations 2015 require the Deputy Chief Executive, as RFO, to sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates; and
- that authority's income and expenditure for that financial year.

Our audit of the financial statements does not relieve the RFO nor those charged with governance of their responsibilities for the preparation of the statement of accounts.

### Overview

We have undertaken limited scoping and planning work but not performed a risk assessment in accordance with the auditing standards and undertaken no audit testing of the transactions, balances or disclosures in the Statement of Accounts.

As a result, we intend to issue a disclaimed opinion on the Statement of Accounts.

There remain a number of outstanding matters listed on page 23.

### Circumstances that affect the form and content of the auditor's report

There has been a deterioration in the timeliness of local audit in recent years leading to a persistent and significant backlog of audit opinions. Across England, the backlog of outstanding audit opinions stood at 771 at 31 December 2023 and is estimated to increase to around 1,000 later this year. In February 2024, the Department for Levelling Up, Housing and Communities published 'Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit'. This joint statement confirmed that:

*"The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution".*

The factors contributing to the delay in issuing an audit opinion on the financial statements of Spelthorne Borough Council for the year ended 31 March 2023 include, but are not limited to:

- increased regulator expectations on auditors
- difficulties in attracting, developing and retaining staff to perform local audit work
- the impact of the Covid-19 pandemic
- Delayed conclusion of the 2017/18 value for money work by the predecessor auditor

Over the last year, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

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To clear the backlog of historical accounts and 'reset' the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 ('the backstop date'). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

The backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Consequently, this prevents us from meeting the overall objectives of an audit as set out in ISA (UK) 200 '*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*'. Therefore, the backstop date has created circumstances which require us to consider modifying our opinion on Spelthorne Borough Council's financial statements.

### Significant difficulties encountered during the audit

ISAs (UK) require us to report to you any significant difficulties we have encountered during the audit. As previously outlined, the backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Therefore, the backstop date represents a significant difficulty that we have encountered during the audit.

### Audit report

The Accounts and Audit (Amendment) Regulations 2024 require Spelthorne Borough Council to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024. We have not able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by this date. As a result, we are unable to conclude that Spelthorne Borough Council's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Therefore, we anticipate issuing a disclaimer of opinion on the financial statements as set out on page 18.

### Use of resources

Our work on the Council's value for money arrangements remains ongoing at the date of this report.

Our audit certificate will be issued when we have completed our work on the Council's value for money arrangements.

### Independence

We confirm that the firm and its partners and staff involved in the audit are independent of Spelthorne Borough Council in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

# The numbers

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This summary provides an overview of the audit scope and materiality for the year ended 31 March 2023.

### Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties. Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

### Materiality

Materiality for the Group has been set at 1.5% of gross expenditure for the period (prior year 1.5%) and is outlined in the adjacent chart. For reporting purposes, we consider misstatements of less than £63,000 (2022: £50,000) to be trivial unless the misstatement is indicative of fraud.

### Council's responsibilities

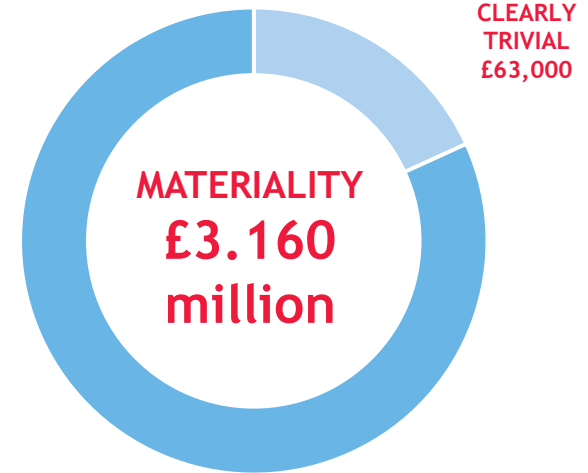
The Section 151 Officer (Deputy Chief Executive) is responsible for the preparation of the Statement of Accounts and for being satisfied that these show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2022/23, applicable accounting standards or other direction under the circumstances. Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

### Material misstatements

From our limited scoping and planning work performed we did not identify any material misstatements.

### Unadjusted audit differences

We did not identify any audit differences that have not been adjusted for.



# Audit scope entities and components

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As Group auditor we are required to design an audit strategy to ensure we obtain the required audit assurance for each component for the purposes of our Group audit opinion ISA (UK) 600. A high-level overview of how we intended to design the Group audit strategy is summarised below.

Audit Risks, covered later in this report, are cross referenced to each entity to provide clarity over how these arise within your business and where the focus of the audit work will be.

Entity	Nature of operations	Audit classification	Reason for classification	Audit risks	Component materiality	Component clearly trivial threshold	Overall audit strategy	Planning work
Spelthorne Borough Council	Local authority	Significant component	Size and risk	Risks 1 - 5	£3.130 million	£62,000	Statutory audit performed by BDO	See below
Knowle Green Estates Limited	Residential property development	Insignificant component	Size	Risk 4	N/A	N/A	Review work performed over property valuations by component auditor	See below
Spelthorne Direct Services Limited	Waste services	Insignificant component	Size	N/A	N/A	N/A	Desktop analytical review	See below

## Work performed and results

We are required to provide you with an overview of the:

- type of work to be performed on the financial information of the components
- nature of our planned involvement in the work to be performed by the component auditors on the financial information of significant and non-significant components.

The backstop date has created time constraints that have impeded us from:

- determining the type of work to be performed on the financial information of the components
- planning our involvement in the work to be performed by the component auditors on the financial information of significant components
- completing all necessary procedures in response to the audit risks identified, which means that we were unable to obtain sufficient, appropriate audit evidence in respect of these risks.



# Overview of risks

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From our limited scoping and planning work performed we assessed the following matters as being the most significant risks of material misstatement in the financial statements, or those where we consider there to be an elevated risk of material misstatement. These include those risks which would have the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

The backstop date has created time constraints that have impeded us from completing all necessary risk assessment procedures. Therefore, we have not been able to meet the objective of ISA (UK) 315 *Identifying and Assessing the Risks of Material Misstatement*, which is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement. Had we met the objective of ISA (UK) 315, we may have identified additional risks to those listed below.

#	Audit Risk	Significant or Elevated Risk	Fraud risk present	Significant management estimates & judgements	Specific Letter of Representation Point
1	Management override of controls	Significant	Yes	No	No
2	Recognition of revenue grants with performance conditions	Significant	Yes	No	No
3	Expenditure cut-off	Significant	Yes	No	No
4	Valuation of property, plant and equipment and investment property	Significant	No	Yes	Yes
5	Valuation of net pension asset/liability	Significant	No	Yes	Yes

# Risk 1

## Management override of controls

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	C	E	A	V	P	2022/23	2021/22
Management override	✓	✓	✓	✓	✓	All transactions and balances	All transactions and balances

### Risk description

- ▶ Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk

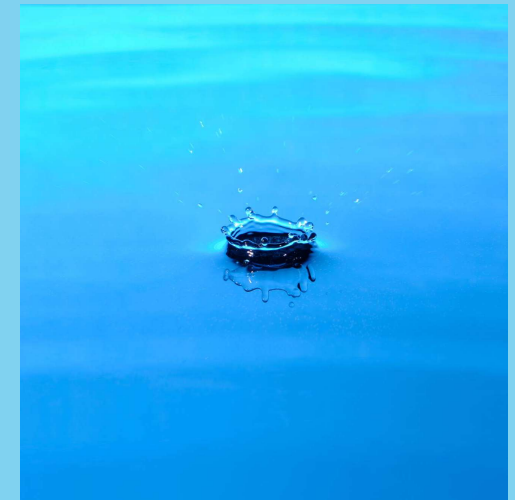
### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

### Key to audit assertions:

C - Completeness                      A - Accuracy                      P - Presentation  
 E - Existence                              V - Valuation

●	Significant risk
	Elevated risk
	Moderate risk
●	Fraud risk
●	Significant management estimates & judgements



# Risk 2

## Fraud in revenue recognition

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	C	E	A	V	P	2022/23	2021/22
Specific revenue grants		✓	✓			£23.449 million	£23.488 million

### Risk description

- ▶ Auditing standards note that there is a presumed significant risk resulting from the intentional misstatement of revenue
- ▶ The amounts reported in relation to revenue represent information of significant interest to many users of the financial statements. This puts revenue at a greater risk of manipulation, bias and misstatement.
- ▶ For Spelthorne Borough Council, we consider the risk of fraudulent revenue recognition (primarily through manipulation of financial reporting) to be in respect of the existence and accuracy of revenue grants subject to specific performance conditions.

### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

### Key to audit assertions

C - Completeness                      A - Accuracy                      P - Presentation  
 E - Existence                              V - Valuation

● Significant risk
Elevated risk
Moderate risk
● Fraud risk
● Significant management estimates & judgements



# Risk 3

## Expenditure cut-off

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	C	E	A	V	P	2022/23	2021/22
Expenditure around year end	✓					All expenditure around year end	All expenditure around year end

### Risk description

- ▶ For net-spending bodies in the public sector there is also risk of fraud related to expenditure. For Spelthorne Borough Council, we consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

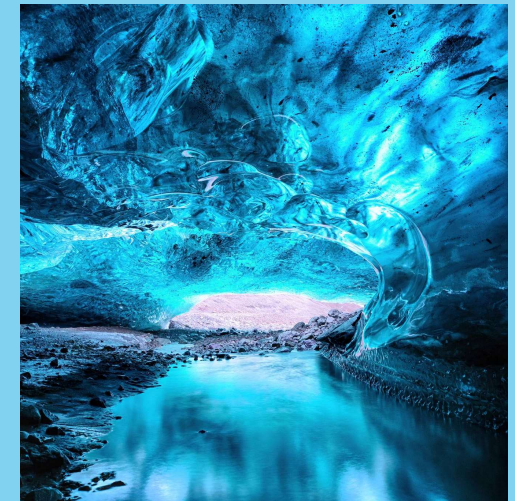
### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

### Key to audit assertions

C - Completeness                      A - Accuracy                      P - Presentation  
 E - Existence                              V - Valuation

●	Significant risk
	Elevated risk
	Moderate risk
●	Fraud risk
●	Significant management estimates & judgements



# Risk 4

## Valuation of property, plant and equipment and investment property

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	C	E	A	V	P	2022/23	2021/22
Land and buildings (council)				✓		£86.003 million	£85.541 million
Investment property				✓		£755.206 million	£916.375 million

### Risk description

- ▶ Local authorities are required to ensure that the carrying value of land and buildings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.
- ▶ Due to the significant value of Spelthorne Borough Council's and the group's property, plant and equipment and investment property, there is a risk over the valuation of these assets due to the high degree of estimation uncertainty inherent in property valuations.

### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

### Key to audit assertions

C - Completeness

E - Existence

A - Accuracy

V - Valuation

P - Presentation

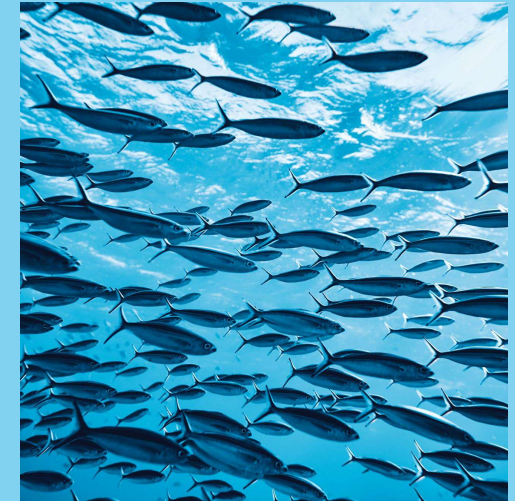
● Significant risk

Elevated risk

Moderate risk

Fraud risk

● Significant management estimates & judgements



# Risk 5

## Valuation of net pension asset/liability

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	C	E	A	V	P	2022/23	2021/22
<b>Net pension liability</b>				✓		£15.682 million	£51.762 million

### Risk description

- ▶ There are risks around both the gross pension asset and the gross pension obligation, which together determine the net defined benefit pension asset/liability recognised in Spelthorne Borough Council's balance sheet.
- ▶ The gross pension asset comprises a variety of investments, including those which we consider to be 'harder to value' because there are no observable inputs (such as an active market for the investment). This increases the estimation uncertainty associated with the value of these investments, which include property, private equity and other managed funds.
- ▶ The valuation of the pension liability is a complex calculation involving significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired members and applies actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

- ▶ There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Spelthorne Borough Council's share of the scheme net/asset liability.

### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

### Key to audit assertions

C - Completeness	A - Accuracy	P - Presentation
E - Existence	V - Valuation	

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements



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## Laws and regulations, including fraud

LARRIG 04 '*Auditor reporting requirements under ISA(UK) 250A (Consideration of Laws and Regulations in an Audit of Financial Statements) and reporting in the public interest*' confirms that irrespective of backstop arrangements, if as part of the audit, the auditor identifies actual or suspected non-compliance with laws and regulations, the auditor is required by the ISAs (UK) to investigate and report on these matters.

Our ability to identify non-compliance with laws and regulation that may have a material effect on the financial statements is based on procedures performed during the course of the audit, which have been curtailed as a consequence of backstop arrangements. Therefore, the backstop date has created time constraints that have impeded us from performing procedures which may identify such non-compliance.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

## Significant matters in connection with related parties

We are required to report to you significant matters arising during the audit in connection with Spelthorne Borough Council's related parties. The backstop date has created time constraints that have impeded us from performing procedures which may identify such matters.

We did not identify any significant matters in connection with Spelthorne Borough Council 's related parties

## Financial reporting

We are required to communicate to you our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The backstop date has created time constraints that have impeded us from considering significant qualitative aspects of Spelthorne Borough Council's accounting practices. We therefore have no views to communicate to you in this regard.

## Significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. The backstop date has created time constraints that have impeded us from performing procedures which may identify such deficiencies. In any event, as the purpose of the audit is for us to express an opinion on Spelthorne Borough Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

We did not identify any significant deficiencies in internal control.

# Special reporting powers and duties

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## Matter

We are required to report if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23;
- 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;
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

## Comment

We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 because the backstop date has created time constraints that have impeded us from completing all necessary procedures in response to this reporting requirement.

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





# Use of resources

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## Requirements of the 2024 Code of Audit Practice and Auditor Guidance Note 3 (AGN 03) Auditors' Work on Value for Money (VFM) Arrangements

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money arrangements) and report to you any identified significant weaknesses.

Following the Code of Audit Practice 2024 coming into force on 14 November 2024, this is based on the following two reporting criteria for incomplete audits for 2020/21, 2021/22 and 2022/23:

- ▶ **Financial sustainability** - How Spelthorne Borough Council plans and manages its resources to ensure it can continue to deliver its services, and
- ▶ **Governance** - How Spelthorne Borough Council ensures that it makes informed decisions and properly manages its risks.

The key output from our audit work in respect of VFM arrangements is a commentary as reported in the Auditor's Annual Report, not a VFM arrangements 'conclusion' or 'opinion'. The Code of Audit Practice 2024 enables auditors to issue a combined commentary as part of a single auditor's annual report for incomplete audits up to and including 2022/23.

Where we are aware of significant weaknesses at the time of issuing our audit report on the financial statements, the nature of the significant weakness and the associated recommendation are required to be referred to by exception in our report on the financial statements.

The Council is currently subject to a Best Value Inspection and the Inspection team is unlikely to complete this review before 31 January 2025.

As a result, we will not complete our use of resources work until the Best Value Inspection team has reported its findings.



# Audit report overview

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A draft copy of our report is included in the appendices.

## **Opinion on financial statements**

We anticipate issuing a disclaimer of opinion on the financial statements, for the reasons detailed in the 'Executive summary' section of this report.

## **Use of resources**

Our work on the Council's value for money arrangements remains ongoing at the date of this report and we have no matters to report at this stage.

## **Other matters on which we are required to report by exception**

We have no matters to report, other than we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for the reasons detailed in the 'Special reporting powers and duties' section of this report.

# Independence and fees

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## Independence

We confirm that the firm, and the engagement team including other BDO network firms conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and the IESBA Code of Ethics and are independent of Spelthorne Borough Council.

Details of services, other than audit, provided by us to the Group or Spelthorne Borough Council during the period and up to the date of this report are set out in the table to the right. We have not identified any threats to our independence arising from the provision of these services.

## Commercial relationships

The Council acquired the freehold interest in a property in Reading in which we currently hold a lease under the terms arranged with the previous owner.

We are satisfied that this does not present a threat to our independence and objectivity as your auditor as this commercial relationship is at arms length, the audit team are not party to the lease negotiations and the amounts are not material to either party.

This matter was considered by the Audit Committee on 1 November 2018, where members noted the relationship and agreed that it did not compromise our independence.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

## Fee summary

Audit fees quoted in the table to the right are in line with the scale fee published by Public Sector Audit Appointments Ltd. Any variation to this fee arising due to the implementation of the backstop arrangements will be discussed with management.

	Fees (£)		Independence safeguards	Impact on independence
	Year ended March 2023	Year ended March 2022		
<b>Audit fees</b>	37,059	37,059	None required	N/A
<b>Non-audit services:</b>				
Housing Benefit Assurance Procedures	TBC	TBC	None required	N/A
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>		

# Partner rotation

## Independence

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These tables indicate the rotation periods normally permitted under Public Sector Audit Appointments' (PSAA) rules on rotation of key staff, as set out in the PSAA Terms of Appointment.

It is PSAA's policy that:

- engagement leads should act for an initial period of five years. PSAA may approve engagement leads for an additional period of up to no more than two years, if it is provided with assurance that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised together with details of any mitigations
- other than in exceptional circumstances, the audit manager at an audited body should be changed at least once every seven years. PSAA will approve the appointment of an audit manager for an additional period of up to three years, provided that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised
- it is not expected that an individual should act as an engagement quality control reviewer at an audited body for a period longer than seven years.

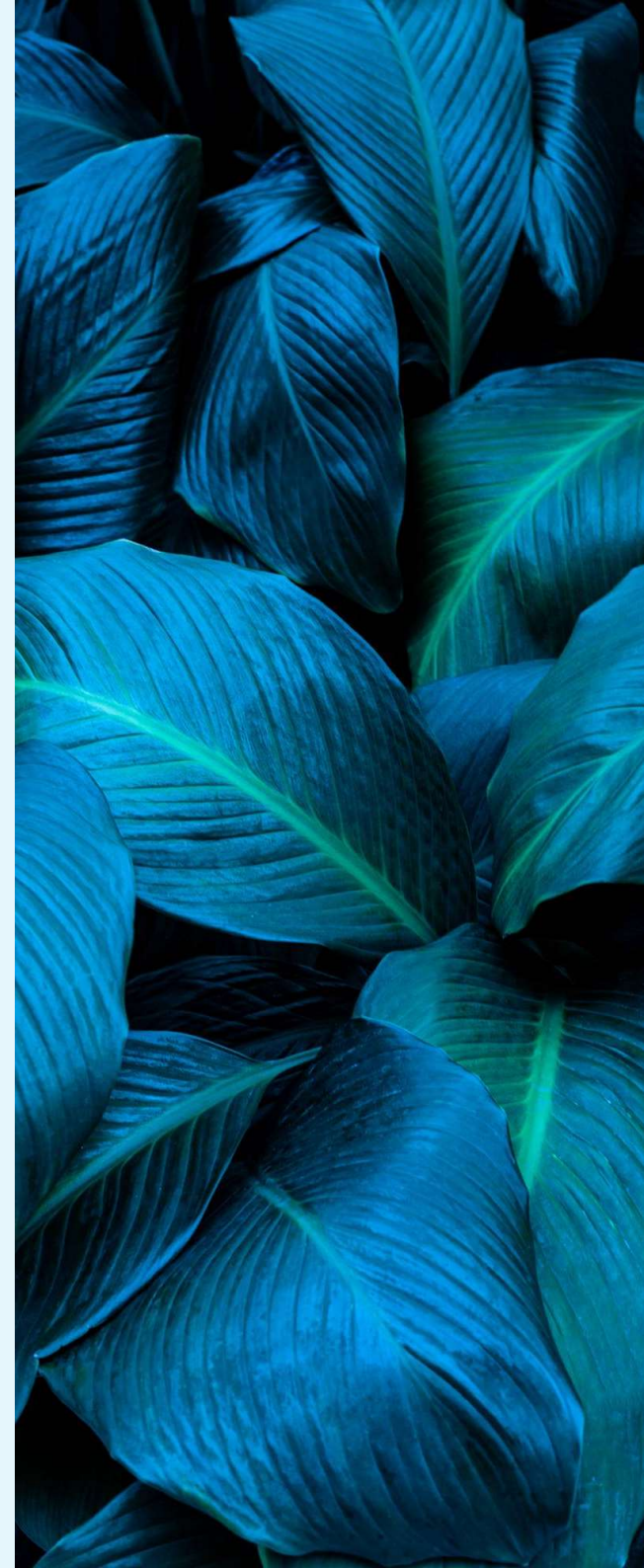
In order to safeguard audit quality, we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

### Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Leigh Lloyd-Thomas Engagement Lead	5	5 years
Barry Pryke Senior Manager	5	7 years

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## Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to Spelthorne Borough Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

## Communication

The National Audit Office has issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audit in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may therefore be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared a combined Audit Planning Report and Audit Completion Report.

## Auditor's Annual Report

We will provide a commentary on Spelthorne Borough Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from Spelthorne Borough Council. The Auditor's Annual Report is required to be published by Spelthorne Borough Council.

The Code of Audit Practice 2024 confirms that for incomplete audits up to and including 2022-23, the auditor may issue a combined commentary as part of a single Auditor's Annual Report. We will therefore issue a combined commentary as part of a single Auditor's Annual Report for 2020/21, 2021/22 and 2022/23 when our value for money work is complete.

Communication required	Date (to be) communicated	To whom	Communication method
Audit Planning Report	4 December 2024	Audit Committee	Combined Audit Planning Report and Audit Completion Report
Audit Completion Report	4 December 2024	Audit Committee	Combined Audit Planning Report and Audit Completion Report
Auditor's Annual Report	TBC	Audit Committee	Auditor's Annual Report

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The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit Committee meeting at which this report is considered:

- ▶ RI reviews of minimum required audit procedures performed to support disclaimer opinion
- ▶ Receipt of updated 2022/23 Statement of Accounts including group accounts
- ▶ Checks to confirm arithmetical accuracy of financial statements and consistency of prior year comparatives, and resolution of any queries arising from these checks
- ▶ Management letter of representation



# Draft audit opinion

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## DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPELTHORNE BOROUGH COUNCIL

### Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of the Authority and the group. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of Spelthorne Borough Council ("the Authority") and its subsidiaries ("the group") for the year ended 31 March 2023 which comprise the Authority and group Comprehensive Income and Expenditure Statement, the Authority and group Movement in Reserves Statement, the Authority and group Balance Sheet, the Authority and group Cash Flow Statement, the Collection Fund Statement and notes to the financial statements including material accounting information. 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 2022/23.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. Consequently, we have not performed any work in respect of any audit area. As a result, we are unable to conclude that the Authority's and group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

### Other information

The Deputy Chief Executive is responsible for the other information. The other information includes all other information included in the Statement of Accounts, other than the Authority and group financial statements and our auditor's report thereon. The Code of Audit Practice 2024 requires auditors to report on whether other information published together with the financial statements is consistent with the financial statements. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion on whether the other information published together with the financial statements is consistent with the financial statements.

### Matters on which we are required to report by exception

#### *Use of resources*

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.



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## *Other matters on which we report by exception*

We are required to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23;
- 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;
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters, except that because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

## **Responsibilities of the Deputy Chief Executive and the Authority**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Deputy Chief Executive is responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view and for such internal control as the Deputy Chief Executive 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 Deputy Chief Executive is responsible for assessing the Authority's and 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority and the group 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.

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## Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. 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 undertake our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

## Auditor's other responsibilities

As set out in the Other matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

## Certificate - delay in completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

## Use of our report

This report is made solely to the members of Spelthorne Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority 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.

# Management representation letter

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BDO LLP  
55 Baker Street  
London  
W1U 7EU

Dear Sirs

## **Financial statements of Spelthorne Borough Council for the year ended 31 March 2023**

We confirm that the following representations given to you in connection with your audit of Spelthorne Borough Council's financial statements (the 'financial statements') for the year ended 31 March 2023 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of Spelthorne Borough Council.

The Deputy Chief Executive has fulfilled their responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of Spelthorne Borough Council as of 31 March 2023 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of Spelthorne Borough Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of Spelthorne Borough Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of Spelthorne Borough Council have been made available to you for the purpose of your audit and all the transactions undertaken by Spelthorne Borough Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all committee meetings, management and other meetings have been made available to you.

## **Going concern**

We have made an assessment of Spelthorne Borough Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on Spelthorne Borough Council's ability to continue as a going concern.

## **Laws and regulations**

In relation to those laws and regulations which provide the legal framework within which Spelthorne Borough Council's business is conducted, and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which I am aware and all actual or contingent consequences arising from such instances of non-compliance.

## **Post balance sheet events**

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

# Management representation letter 2

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## Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

We have disclosed to you all instances of fraud or suspected fraud that we have knowledge of, involving management, employees or others where the fraud could have a material effect on the financial statements.

To the best of our knowledge, we are not aware of any allegations of fraud or suspected fraud that have been communicated by employees, former employees, analysts, regulators or any other party that could materially affect the financial statements.

## Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the Statement of Accounts.

## Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 29 to the financial statements, there were no loans, transactions or arrangements between Spelthorne Borough Council and members of Spelthorne Borough Council or their connected persons at any time in the financial period which were required to be disclosed.

## Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

## Accounting estimates

### a) Valuation of operational and investment property

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to operational and investment property revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

### b) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- CPI increase 2.0%
- Salary increase 4.0%
- Pension increase 3.0%
- Discount rate 4.8%
- Mortality:
- Current pensioners - male 21.9 years and female 24.7 years
- Future pensioners - male 22.6 years and female 26.1 years

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19.

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## Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

## Confirmation

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

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each member has taken all the steps that they ought to have taken as a member of Spelthorne Borough Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Terry Collier

Deputy Chief Executive

xx December 2024

Councillor Jon Button

Chair of the Audit Committee

xx December 2024

# Local authority's responsibilities

## Local authority's Responsibilities and Reporting

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### Financial reporting

Spelthorne Borough Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which Spelthorne Borough Council accounts for its stewardship and use of the public money at its disposal.

The form and content of Spelthorne Borough Council's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2022/23, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

### Use of resources

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

As part of the material published with its financial statements, Spelthorne Borough Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, Spelthorne Borough Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.



# Our responsibilities

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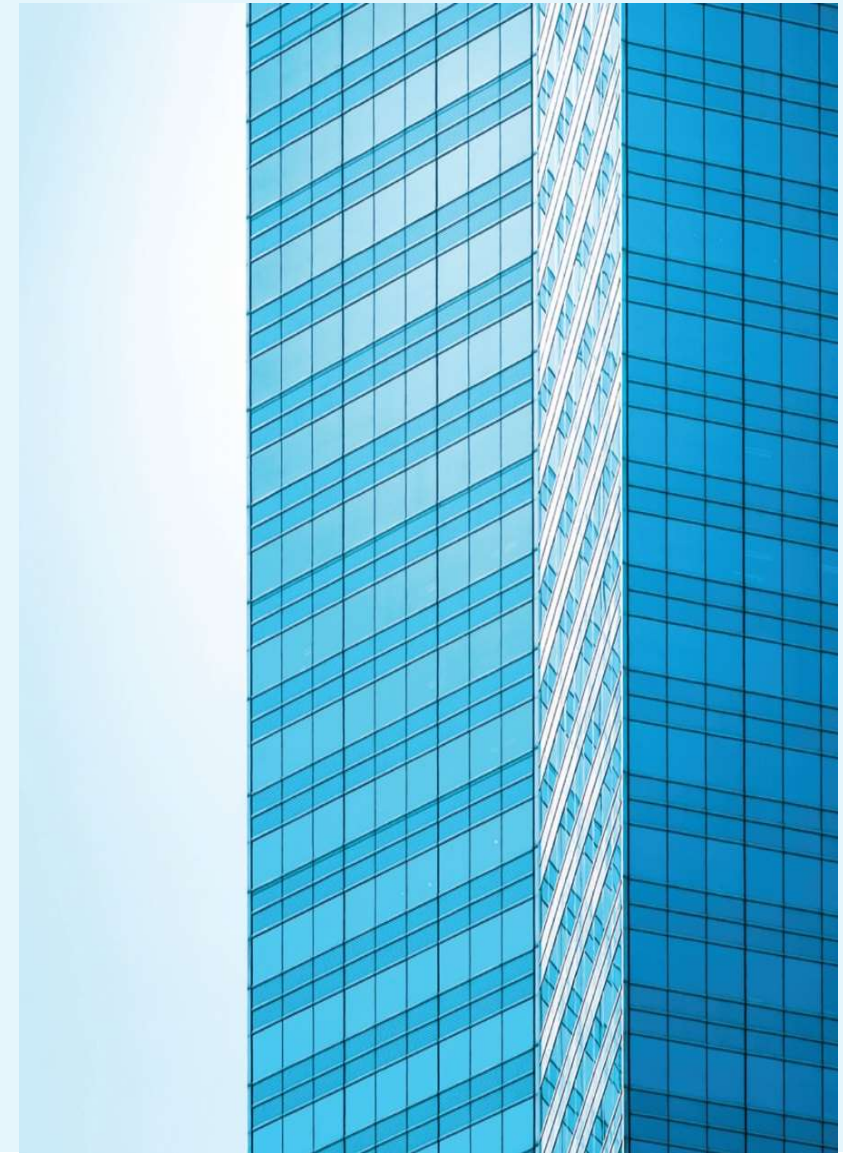
## Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of Spelthorne Borough Council.

We are required to satisfy ourselves that Spelthorne Borough Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether Spelthorne Borough Council has put arrangements in place that support the achievement of value for money and to provide an annual commentary on arrangements in the Auditor's Annual Report.

## What we don't report

Our audit is not designed to identify all matters that may be relevant to Spelthorne Borough Council and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist



For more information:

Leigh Lloyd-Thomas

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of Spelthorne Borough Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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