The Audit Findings for Spelthorne Borough Council

Year ended 31 March 2024

21 January 2025

Private and Confidential

Spelthorne Borough Council
Audit Committee Members
Spelthorne Borough Council
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Dear Audit Committee

Audit Findings for Spelthorne Borough Council for the 31 March 2024

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Spelthorne Borough Council has not had an external audit of its financial statements for 5 years. This has created significant challenges auditing the 2023/24 accounts as the incoming auditors, as we have been unable to obtain sufficient and adequate evidence to form an opinion on the 2023/24 accounts. Therefore, we will be issuing a disclaimer of audit opinion.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Joanne Brown

Partner
For Grant Thornton UK LLP

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.

1. Headlines

Below summarises our key findings and other matters arising from the statutory audit of Spelthorne Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.   It is recognised that certain issues we encountered are work, the Council not having had an external audit for 5 years and in this period the requirements for audit have also increased.

In summary we conclude:

- We have been unable to conclude our work on the 2023-24 financial statements. Overall, there is an absence of adequate supporting accounting records to support the financial statements.
- In our opinion key judgements and estimates within the accounts, of a material nature, are not supported by suitable management assessment and rationale.
- Disclosures, in the 23-24 financial statements are not in compliance with the Local Government Accounting Code and/or are incomplete, with omissions.
- The financial statements lacked complete and accurate supporting underlying evidence for audit purposes and there were several financial statement balances we were unable to get assurance over, due to poor or missing audit evidence or lack of response to our audit queries within the audit timeframe of July to December 2024.
- Lack of adequate reconciliations to support the figures in the financial statements, i.e. Bank Reconciliation to support the cash balance and Collection Fund entries.
- There were several issues and weaknesses identified during the audit, resulting in 16 recommendations being raised.
- The calculation of Minium Revenue Provision (MRP) is likely to be materially understated based on our work to date which would have a significant impact on the Council's financial position.
- There is insufficient capacity and capability within the existing council financial team to produce suitable accounts for audit with accompanying audit evidence.
- As a result, our opinion is disclaimed, under the backstop legislation, alongside an additional disclaimer, on adequacy of accounting records and MRP (to be determined, in opinion).

In addition to our proposed back-stop disclaimer, we will be likely qualifying the accounts on inadequate accounting books and records.   This audit findings report captures our findings from our work to date and we highlight is based on the work we could complete and is not an exhaustive list of all errors, known or otherwise.

1. Headlines (continued)

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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

The 2023/24 accounts audit, was Grant Thornton's first year as the council's external auditors. The previous 5 year's financial statements were disclaimed by the Council's previous auditors BDO LLP under the Governments backstop arrangements on 13 December 2024.

The Council's last signed audit opinion of an unmodified nature was in 2017/18 (KPMG were appointed auditor). Therefore, there has been a significant period in which the council's accounting records, processes, financial performance and arrangements have not been subject to external audit. In this time frame the requirements of audit have also increased, in respect over work required over critical estimates and judgements, valuation of investment property and land and buildings, pension valuation, journals and material revenue. The finance team are not equipped to be able to respond to the audit requirements and do not have underlying audit evidence, to support certain balances in the financial statements.

The Local Audit and Accountability Act 2014, requires local authorities to keep adequate records and to prepare an annual statement of accounts, which must be audited. We commenced the final accounts audit of the 2023/24 in July 2024 on receipt of the draft accounts, working with officers to obtain adequate working papers that meet the audit requirements.

We encountered issues and challenges with obtaining working papers to support the information within the financial statements, and this included working papers that had limited information or required further follow-ups with officers, lack of or adequate reconciliations in place, mapping issues in the accounts, and issues with the Fixed Asset Register (completeness and accuracy). In addition, several audit inquiries were not satisfactorily responded to by officers, which means we were unable to conclude our audit work. These issues led to severe delays being experienced by the audit team.

There is a lack of finance capacity to oversee the audit process and deal with emerging audit queries and technical accounting issues that required management input, such as Minimum Revenue Provision, Group Accounts Consolidation, Revaluations of Property Plant and Equipment, Accounting for Commercial lease Income, and Project Harry Accounting Treatment. These are weaknesses within the finance team that will require significant improvements (in the future) to enable a smooth, effective and efficient audit which gives assurance and confidence, that the position outlined in the accounts is a true and fair representation of the Council's financial position.

The council has been subject to a number external scrutiny reviews, following on from the KPMG Public Interest Report. For example, the council had a CIPFA review prior to the 23/24 financial year, and in addition a Best Value Inspection commenced in May 2024 and due to end in January 2025. Officers have noted this impacted their finance team capacity to analytical review and refine the statement of accounts process.

On the journey to recovery (of assurance), a collaborative approach from both audit and the council's finance team to commit to support the audit process will be required . If these issues are not addressed, the council will take longer to rebuild and regain its assurance within the time stipulated or intended by the government's backstop goals.

Due to the opening balances being disclaimed, errors and issues identified within the 2023/24 accounts, we were unable to issue an unqualified opinion, and therefore, we will be issuing a disclaimer of opinion. There are a number of transactions/events that have occurred within the last 5 years (years disclaimed by BDO) that have an impact on the 2023/24 financial statements that we have been unable to either audit or been provided with the relevant evidence, which means we have no assurance over these balances, especially those transactions on the Council's balance sheet.

1. Headlines

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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Officers will need to ensure that future financial statement accounts are prepared to a higher quality than the 23-24 set with underlying suitable audit evidence alongside responses to audit queries being provided by the Council finance team.

Our findings from the work undertaken to date are summarised on pages 11 to 29. We have identified several issues impacting the financial statements . Audit misstatements are detailed at Appendix D. The findings in this report are not the complete list of issues identified during the audit, but we have drawn out the key findings and issues. There have been limitations encountered in our work, due to lack of evidence and adequate audit trails, engagement from the finance team to respond to our audit queries and samples.

Owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, this year we have been unable to regain assurance, and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances, inadequate accounting records and working papers mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be Disclaimer of opinion.

Our letter of representation is included in the committee papers

We have been unable to concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

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 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	Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weakness(es) we have identified in the Council's arrangements is detailed in Auditors Annual Report. Based on the number of significant weaknesses identified in our VFM work we are considering the possibility of producing statutory recommendations, under our statutory powers and will consider this, following the conclusion and reporting of our interim VFM work.
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 completed the majority of work under the Code (in accordance with the limitation imposed by the backstop). However, we will be unable to certify the completion of the audit when we give our audit opinion due to the Whole of Government Accounts requirements and the outstanding certification from your previous auditors BDO, who have not yet completed their value for money responsibilities.
Significant matters	The audit team encountered significant challenges in auditing the council's accounting records for 2023/24. We were not provided with all the relevant information we required to be able to conclude our work in line with the auditing standards. The underlying records that support the accounts were inadequate, accounting policies within the accounts were inadequate and there was a lack of finance team capacity to support the audit process, resolve audit matters and queries. This is a significant weaknesses in the council's finance team that will need to be addressed going forward.

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

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 is normally based on a thorough understanding of the group's business and is risk based, and in particular including

- An evaluation of the group 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 Property Plant and Equipment balances/transactions of Knowle Green Estate LTD (KGE ITD) was required.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We experienced significant challenges adopting our audit approach to the audit of the council's accounts. We experienced challenges in understanding the council's group arrangements, including the transfer of assets to, loans advanced to KGE ltd including the initial accounting treatment of and repayment of those loans by KGE ltd. Refer to Page 20.

In addition, we experienced significant challenges auditing our significant risks identified in the audit plan, as a result of the disclaimer of opinion in prior years, lack of adequate working papers and responses from management. Detailed findings can be found on Pages 11 to 28

We have had to alter our audit plan, as communicated to you on 20 March 2024, as we have changed our materiality based on the Council's actual total expenditure in the year after adjusting for Fair Value (FV) movement of investment properties. We have also lowered our benchmark performance materiality percentage from 65% to 60%

Conclusion

As highlighted in page 3 of this report, unfortunately it will not be possible for us to undertake sufficient work to conclude our work. We therefore plan to issue a [disclaimer of the audit opinion]. The letter of representation is set out in this Committee Papers

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The government has signalled that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year[s], as we seek to rebuild audit assurance.

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion following the Audit Committee meeting on 28 January 2025,. Outstanding items include:

- Receipt of management representation letter;
- Review of the final set of financial statements.

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.

We have revised the performance materiality from our planning levels to reflect the actual gross expenditure for 23/24 changing from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure. We have maintained the same approach to calculating our materiality being 1.5% of gross expenditure adjusted for FV movements and performance materiality being 60% of materiality .

We set out in this table our determination of materiality for Spelthorne Borough Council.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,833,000	1,704,000	This benchmark is determined as a percentage of the Group's gross expenditure and the Council's accounts gross expenditure in year, which has been set at approximately 1.5% for the Group and 1.4% for the Council. Typically, for most District councils we audit, this benchmark is usually set at 2% for gross expenditure but for Spelthorne BC, due to a lack of audit in 5 years, and 23/24 being the first year of audit, we have set this even lower at 1.5%. In addition we have adjusted the gross expenditure and removed the impact of the fair value movement of investment properties.
Performance materiality	1,008,000	937,000	Performance materiality is based on a percentage of the overall materiality. We have applied percentage at 60% in 2023-24, a lower percentage was used because of the fact that the Council has not been audited in the previous year as a whole, this will reduce performance materiality to an appropriately low level thereby lower the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Typically our performance materiality for a district council would be 75% of headline performance materiality.
Trivial matters	92,000	85,000	This balance is set at 5% of the overall materiality. We are obliged to report uncorrected misstatements other than those which are 'clearly trivial' to those charged with governance.

*Our indicative materiality proposed was based on the information available at the time of audit planning and risk assessment, we have revised the final materiality upon receipt of final set of draft accounts for 23/24. The Council has an unusually significant balance of Investment Properties (relative to other district council) which are subject to annual valuations. These properties will increase and decrease over time and those movements are reported either as movements within the expenditure or income categories in the Comprehensive Income and Expenditure Statement. By removing the impact of the movements from our calculation of materiality, we are able to establish a normalised materiality year on year .

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	Relevant to Council and/or Group
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and 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 determine the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our Findings: From our review of journals, we noted a number deficiencies and issues in how journals are posted into the general ledger: • Our testing noted several errors from journals posted and this indicates poor or lack of controls over the journal review and authorisation process. While there are controls over the posting and authorisation of journals above £20k (i.e. segregation of duties), it is unclear whether people who authorise the journals check as to whether journals being posted are appropriate and sufficiently backed up and they understand the journal description and business rationale of the entry. • Evidence: - In reviewing whether the journals posted were both appropriate and in line with our understanding of the business operations, we reviewed back-up evidence provided by council officers. The quality of evidence requires improvement to ensure appropriate evidence (back-up and explanations) are kept by officers as part of its financial record keeping arrangements. • Mapping:- In preparing the council's financial statements, we identified several mapping issues from either incorrect mapping or journals being posted to the incorrect lines within the financial statements. • Journals below £20k – we note, there are no journal reviewer or approver arrangements for journals below £20k. The Council needs to put in place arrangements for how it monitors journals below this amount are appropriate posted by user and satisfy themselves, i.e. journals are not being posted regularly in error or being used in fraudulent manner. We are unable to conclude our work in this area.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Improper revenue recognition Presumed risk of fraud in revenue recognition. ISA (UK) 240 The council has a significant income stream from commercial properties and based on the unaudited accounts for 22/23, rental income was £53.8m. The Council is also has other sales and charges of approximately £4m. There is a risk of either fraud or improper revenue recognition for these income streams apart from Government Grants & Collection Fund income streams. We have therefore, not rebutted this presumed risk that revenue may be misstated due to improper recognition.	We • evaluated the group's accounting policy for recognition of income from commercial properties, sales and other charges for appropriateness; • gained an understanding of the Authority's system for accounting for income from commercial income, sales and other charges, and evaluate the design of the associated controls; • Agreed on a sample basis, amounts recognised as income from commercial rents, sales and other charges in the financial statements to supporting documents. • Tested the completeness of revenue within the 23/24 financial statements. • We will test the associated trade receivables or debtors pertaining to commercial rents and other sales and charges. Findings The council has a significant amount of Investment Properties, for which it receives commercial rents. The Council acts as a Lessor for the investment properties and the tenants are lessees. Our review of commercial rents identified the following: • The records for keeping and monitoring the key leases was inadequate for the council, especially with a large value of investment property undertaking that is predominantly being used for commercial rents. Council has approx. £52m of Commercial Rents in 23/24. • We were unable to gain assurance over the income recognised in the 23/24 financial statements. In our testing of commercial rents, there was no schedule prepared by management that accounts for the smoothing of payments and lease incentives (i.e. whether formally or informal in lease agreements). The Code (including SIC 15 and IAS17 subsequently under IFRS 16) requires that lease incentives (including any payments made by the lessor to the lessee) should be recognised as a reduction of rental income over the lease term, on a straight line basis. This means that any commercial rents that are active in 23/24 and incentives have been offered to those lessees (whether formally or informally), could potentially have been inappropriately recognised in prior periods and in the future. This will impact both the CIES/General Fund and the Closing Balances for Debtors (i.e. the lease incentives). Based on our inquiries, officers had only started accounting for lease incentives in 23/24 onwards and our review of the working paper provided, we identified several input errors in their schedule of workings. We were unable to conclude our review. • Lease contracts and agreements, were not immediately available for audit at the council and this led to several delays in the information being provided. This is an area that will require improvements in 24/25, and the council should put in place arrangements for ensuring significant leases (or all) agreements, are made available for audit, due to the lower materiality of the audit relative to council's commercial income and assets. • Our review and testing from our sample of commercial rents identified differences/variances, between the amount recognised and cash received. We were unable to obtain adequate and sufficient explanations from officers in the available timeframe we were undertaking the audit. We were unable to conclude our review. • One of the commercial properties had inappropriately included a £4m NNDR provision as rental income. This is despite no provision having been created in 22/23, but the adjusting entry was debiting the payables balance and crediting income. We challenged management on the accounting treatment including for Project Harry related transactions and adequate responses were not received to provide assurance over this balance and accounting treatment.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Improper revenue recognition Presumed risk of fraud in revenue recognition. ISA (UK) 240 The council has a significant income stream from commercial properties and based on the unaudited accounts for 23/24, rental income was £52.9m. The Council is also has other sales and charges of approximately £4m. There is a risk of either fraud or improper revenue recognition for these income streams apart from Government Grants & Collection Fund income streams. We have therefore, not rebutted this presumed risk that revenue may be misstated due to improper recognition.	• Our testing of completeness debtors and creditors testing noted that during the quarterly billing close to year end, some of the billing is undertaken by Cushman & Wakefield's, whereby receipts (not invoices) may have been receipted by for C&W and this Income impacts both years and needs to be accrued or deferred accordingly. There could be timing differences between when C&W has received the cash for rental payments and when they notify the Council (i.e. where tenants have paid C&W but the Council's records have not been adjusted for. The Council needs to put in place arrangements over the accounting of the above the above identified issue. • In the draft accounts, management opted to adopt IFRS 16, but there were no disclosures in the accounts about the implementation of IFRS 16 in the 23-24 accounts (or in the prior year disclaimed accounts). The current 2023/24 accounts still refer to IAS17 and the disclosures refer to the old standard. Therefore, there are accounting policies and disclosure misstatement in the current set of accounts. The Council have not undertaken sufficient work to meet the requirements of the new standard and we have concerns over the completeness and accuracy of the disclosure. We have raised a recommendation • The Council needs to undertake an IFRS 15 assessment of its other revenue from contracts that are not under consideration of either IFRS 16 from 24/25. • Project Harry – We have queried with management the accounting treatment of 3 commercial properties that were purchased under "Project Harry" (i.e. Charter Building, Thames Tower, Porter Building) as we have concerns regarding the initial accounting treatment and subsequent recognition of income relating to these purchased properties. At the time of writing this report, we were informed that the income related to rent guarantees, however, no supporting evidence or satisfactory responses have been provided by management to close off this matter. Based on the observation of a journal provided, the council purchased 3 properties worth £351m but only paid £297.9m. We understand that the council then grossed up the value of the 3 properties on acquisition by £53.7m and a liability (creditor – receipts in advance) of the same value was created on the council's balance sheet. We understand this liability has been debited over the years and credited to income to top commercial rents (reasons are unclear due to lack of evidence). Overall, the audit team experienced challenges and difficulties in auditing the council's income from commercial rents. As the commercial income is a significant revenue stream after excluding Government Grants accounting for nearly 53% of the Council's income. The Finance Team who were responsible for overseeing the 23/24 audit did not have all the lease agreements, the income recognition for the lease agreements, no accounting considerations for lease incentives, a reconciliation of the cash received that matched or reconciled this back to the general ledger. The audit team were eventually provided with access to the lease agreements which were held by the Council's Legal Advisor. This led to delays in understanding the council's commercial rents and especially income recognition. From our perspective, this is inadequate record keeping . Therefore, were unable to obtain sufficient and appropriate audit evidence to conclude whether revenue is fairly stated. This is an area that will require significant improvement in the subsequent audits for the council to have clear audit trails but also to facilitate an efficient and effective audit that will provide both management, members and council tax payers with the appropriate assurance required. We have raised a recommendation regarding Revenue Recognition. There is a risk that revenue accounting for in prior period is materially misstatement including that recognised in the current period. We were unable to conclude our work in this area.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of Council's Land and Buildings (Including Investment Properties) The Council has a significant property plant and equipment. The following holding of: Land and building assets totalling £82m as at 31 March 2024 . The council's valuer for land and building is Wilks Head and Eve Investment properties amounting to £602m as at 31 March 2024 . The council's valuer for investment properties is Carter Jonas LLP. The Group - Knowle Green Estate LTD has land and buildings £39m as at 31st March 2024. Their valuer is Wilks Head and Eve. This valuation represents a significant estimate by management in the financial statements due to the size of the figures and the sensitivity of this estimate to changes in key assumptions. Management has engaged the above mentioned external valuers' services to provide an estimate of the current value and fair value of these assets in line with the council's valuation cycle. We therefore identified valuation of land, buildings, including Investment Properties assets, as a significant risk of material misstatement.	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. We engage our own valuation expert to support us in this area and other aspects of our work in relation to this risk; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • Challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by management to their valuer, the scope of the Group's and Council's valuers' work, the Group and Council's valuers' reports and the assumptions that underpin the valuations; • Assessed the value of a sample of assets in relation to market rates for comparable properties; • Tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • Evaluated the assumptions made by management regarding assets not revalued during the year particularly regarding how they are satisfied these are not materially different from current value at year end. Findings In our review of the Council's Fixed Asset Register which was used to prepare the 2023/24 accounts (PPE note 11 and Investment Properties 13) valuations, we found several issues that would have impacted the year end Property Plant Equipment and Investment Property valuation. • The initial Fixed Asset Register (FAR) which was presented for audit, did not reconcile to the information in the draft accounts, which led to further audit queries and delays and revisions of the FAR. • The Fixed Asset Register had assets which had negative revaluation reserves, which is not allowed by the Code, as revaluation decreases should be taken to the CIES once the revaluation movement in the Revaluation Reserve has been fully utilised. This means opening and closing balances for PPE would be incorrect and a review of these FAR codes with negative revaluation reserves is required. We were unable to gain assurance over the accounting treatment of revaluations • We identified one asset that was disposed off by the council to its Subsidiary (Knowle Green Estate) but had not been appropriately excluded from the FAR by the Council. The impact of this error is, potentially overstating the council's property assets in both the single entity accounts and the group accounts (£18m Historical Cost). We have been unable to audit the disposal (as this occurred in prior years) and original accounting treatment (as we had outstanding queries at the time of drafting this report). This misstatement would impact the opening balance (prior years). However, we are awaiting management's briefing paper to determine the accounting treatment is appropriate. • We identified some IT assets that had been disposed off by the Council but had not been appropriately written off from the asset register, meaning the gross book value and net book values were overstated. In addition, we also identified some IT assets that had been acquired (i.e. addition) that had not been accounted for properly.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of Council's Land and Buildings (Including Investment Properties)	• In our testing of property plant and equipment and investment properties, we were able to undertake physical asset verification for sample of the assets including checking the deeds of ownership. However, due to the limitations in place for conducting this year's audit (i.e. backstop date of 28th February 2025), we have been unable test the acquisition and agreements and completion statements. We will complete this work in future periods as part of the rebuilding of assurance. The Property Plant and Equipment Note presented in the draft accounts had a number errors, in addition to not reconciling to the FAR presented for audit: • In our Journals Testing, we identified a journal that was posted in error that related to accumulated depreciation of £4.5m that had been incorrectly crediting the General Fund (GF) as opposed to the being written out to the revaluation reserve. The Code permits in year depreciation charge to be written off to the GF and then to be reversed out to the Capital Adjustment Account. However, this is not permitted for accumulated depreciation which is written off to the Revaluation Reserve. We do not know how long this practice has been taking place and unable to determine the impact of the error in prior years, however, the council needs to determine the impact in prior years and current year. • Revaluation Movements on the face of the PPE Note– all the revaluation movements, in 23/24 (appeared to be decreases) were all charged to the revaluation reserve (£7.5m), and in addition there was also a £4.7m in depreciation charge written out to the Revaluation Reserve which was more than the total depreciation charge for the year and accumulated depreciation (£2.6m), which led to a positive depreciation charge of £2.1m, which is again not permitted by the Code and is an error. This also did not agree to the PPE note. The is a misstatement within the depreciation and net book value on the closing balance. A review of the accounting will be required. • The Council voluntarily adopted IFRS 16 (with most public sector bodies undertaking this exercise in 24/25). The requirements of the new standard are vast, and this includes obtaining the necessary financial information to comply with the standard and these are set-out in the CIPFA code 2023/24 Appendix F . In the Draft Accounts, the Council recognised a Right of Use asset under the PPE Note, our review of the workings, we could not be assured about the completeness and accuracy of the schedule. In addition, the Council had not considered the requirements of the Code 4.2.2.103 within the accounts. We have therefore raised a recommendation. • We could not be assured whether the council's depreciation charge for the year was reasonable or undertake a sensitivity analysis of the depreciation charge, due to the lack of assurance from the opening balances and in addition, the issues noted in our review of the Fixed Asset Register. • Asset Lives, as part of the Council's rebuilding assurance, the Council should review its FAR and review its asset lives (property, plant and equipment) and where equipment is still in use these should be appropriately re-lifed and for land and buildings, professional view should be sought by the council and any judgements made by management over the asset lives should be appropriately documented and supported. Revaluations • The Council presented audit with a valuation report that valued its Land and Buildings as at 31st December 2023, with no market review undertaken for movement between December 2023 and March 2024 on an individual asset basis. As this is the first year of audit in 5 years, we would recommend the council undertakes its valuation as at 31st March each year. • In our review of other Land and Buildings, we noted that the council had not valued all its properties in this category. In addition, the council had not reviewed whether the carrying value of the assets not revalued are not materially different to their current value if they had been revalued. We have no assurance over the last time the assets were revalued as we these periods were potentially unaudited. In addition, we recommend a full revaluation of all assets in 24/25.	Council/Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of Council's Land and Buildings (Including Investment Properties)	• Our review of the council's valuation of Investment Properties identified discrepancies between source floor areas records kept by the council and those included in the tenancy schedules or provided to their valuer, that would have informed the valuer's valuation at year end. Our review of Other Land and Buildings identified 3 assets (total valuation £24.1m), where the valuer or the council were unable to evidence the floor areas used in the calculations. Lack of adequate and up to date evidence for floor areas. We recommend that the Council has up to date floor areas for every asset as this is a significant input into the valuations. • Our review of assets valued in 2023/24 identified 1 asset (Summit Centre) which was incorrectly valued as Investment Properties as opposed to Other Land and Building. We understand this was due to the information on the source data the valuer was using was incorrect. This led to inconsistencies with the valuation journal. • Our review of Investment Properties valued, identified errors and inconsistencies in the information used by the council's valuer. Particularly floor areas and tenancy schedules. We followed up with the Council's valuer and challenged the source data and assumptions they had used in undertaking the valuation 2023/24. However, due to the scale of the findings and the queries, we were unable to resolve them in the timeframe permitted for us to be reasonably satisfied that valuation of Investment Properties is fairly stated. • Our review Group Property Plant and Equipment, we were unable to conclude our review of the assets revalued, as we had not been provided with all the information on the assets being revalued and been able to challenge the key assumptions and inputs driving this estimate. In addition, our review noted that the Group's valuer applied an uplift of 8% in 2022/23 and 0% in 23/24 on the group's asset base. We understand the group's valuer did a full revaluation in 2021/22 and subsequent years, the valuer has applied market indices (Housing Price Indices). The base valuations was undertaken in 2021/22 and that period has not been audited and has been disclaimed by BDO. Therefore, have no assurance over the prior periods disclaimed property values and the uplifts applied in both 2022/23 and 2023/24. • There was a difference of approximately £4m due to an error in recognizing KGE Property, Plant, and Equipment as at 31 March 2024 as valuations were received after the group accounts were prepared. • The Assumptions made about the future under the Estimation Uncertainty Note in the Accounts pertaining to Property Plant and Equipment and Investment Properties is not adequate and does not meet the requirements of IAS 1. This should detail the most significant inputs and assumptions over the next 12 months that could impact the valuation of these properties materially (whether downward or upwards). • From our review of the accounting entries to show the movement in revaluation (in year), we noted several errors in the journal posted by management, including errors in the calculations done, for example the Communication House, Summit Centre and Station Road assets did not have a valuation figure for 23/24 in the revaluation movement calculations (and therefore the journal posted), despite having a combined valuation of £21m in 2023/24. The statutory adjustment for this entry would have credited the General Fund incorrectly for the downward decrease for an asset that still exists for an erroneous entry. The supporting evidence for the revaluation movement was inadequate. • There were 2 investment Properties total value £466k, valued by Wilks-Head and Eve that were completely missed out in the Investment Property revaluations journal workings	Council/Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group

Valuation of Council's Land and Buildings (Including Investment Properties)	Disclosures
	• There were several omissions within PPE Note in the accounts required by the Code 2023-24:
	  • Disclosure Table showing the breakdown of Property Plant and Equipment Net Book Value by the Valuation date.
	  • The carrying value of assets not revalued and an assessment by management that those assets would not be material if they had been valued.
	  • The Fair Value Hierarchy assessment for Investment Properties and Surplus Assets including
	  • Valuation Techniques to determine any level three fair values (if applicable and noted by the valuer)
	  • Measurement of fair value of non-financial assets
	  • Quantitative Information about the fair value measurement of non-current assets using significant unobservable Inputs – level 3 (if applicable)
	  • Reconciliation of Fair Value Measurements (using significant unobservable inputs), categorised within level 3
	Additions.
	The largest project within the council's additions in the year, related to the Spelthorne Leisure Centre, which was classified under Asset Under Construction for the year ended 31st March 2024. This asset became operational in the period 24/25. There were other capital acquisitions in the year and based on the our sample of additions during the year and review on the outturn report and testing of additions we identified the following issues.
	  • The audit team experienced challenges getting adequate transaction listing to sample from that agreed to the balance in the additions balance disclosed the accounts.
	  • Borrowing costs were capitalised for projects even though, from our review, these projects had been suspended (these should have been charged to revenue).
	  • Our review of the capital additions population noted some costs that had been capitalised that appear to be revenue in nature based, i.e. Salary Costs, Project Manager Costs, Interest on Borrowing and Security Costs, etc .
	  • The Council needs to review its additions over the last 5 years (even for assets disposed off, where costs have been inappropriately capitalised) .
	  • There is a risk that the CIES/General Fund is overstated as a result of not appropriately charging revenue costs to the CIES. We understand this practice has been happening for a number of years.
	We were unable to conclude our work on additions.
		Council/Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of Council's Land and Buildings (Including Investment Properties)	Assets under Construction In the draft accounts presented for audit, Assets Under Construction had a balance of £97m. We reviewed the projects within this balance as part of our focus on the closing balance for 23/24 (We did not test the cost of the acquisition the AUC balances). We identified a number of issues: • Inappropriate capitalisation of borrowing costs for assets that appear to have had been suspended and projects that may no longer be going ahead. • Our review committee minutes noted approx. £9m of such capitalised costs (under AUC balance) that would need to be charged to revenue. The draft accounts did not include write-off these costs. We were provided with a summary of capitalised costs of approx. £15 million. These costs should be charged to revenue in 23/24 (or prior periods) as the projects were no longer going ahead. • White House Hostel (£248k) – our review identified that this asset was classified as an asset under construction, however, this was operational in 23/24 and should have been charged with depreciation in year and subject to revaluations. • Property Acquisitions for Families: The Council purchased some properties to house refugees, no properties were physically built but these were again incorrectly accounted for as an Asset Under Construction (£6.4m). In addition, it is unclear what management's intentions are relating to these properties, i.e. our review of committee papers, notes that potentially these assets will be transferred to Knowle Green Estate. The council would need to determine whether these assets are PPE additions or Inventory (i.e. primary purpose is to purchase to sale not for service provision by the council.) • Caesar Court (Benwell House (£18m)). Our review noted that this asset was transferred to KGE before March 2024, but had been included in Assets Under Construction. While we did not have assurance over the arrangements between the Council and Knowle Green Estate. This property appears should not have been included in the single entity accounts. We have no assurance over whether the council is buying the properties and selling these on to Knowle Green Estate or whether the Council is transferring them to Knowle Green at Nil consideration or has a different arrangement in place. • In addition, as part of the review, we noted that no Impairment Review had been undertaken and appropriate write-offs for genuine capital costs. The Council needs to put in place robust arrangements over its accounting of assets purchased or being constructed. Costs incurred on property acquisition or creating an asset should meet the requirements of IAS 16 or IAS 40 (in line with the Code requirements). Revenue costs should not be capitalised and should be charged to CIES/General Fund. There is a risk that the Council's closing balance for either operational assets or those under constructions are misstated including the opening balances. We have been unable to conclude our work in this area over property plant and equipment and investment property.	Council/Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Closing Valuation of Net Pension Liability The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The council participates in the local government pension scheme administered by Surrey County Council. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£15.6million in the single entity's balance sheet at 31 March 2024), complexity of the actuarial valuation and the sensitivity of the estimate to changes in key assumptions. The Council engage the services of Hymans Robertson as a qualified actuary to develop an IAS 19 compliant estimate of the pension fund net liability. We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • Updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management experts (the 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 pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Group to the actuary to estimate the liabilities; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • Undertaken 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; and • Obtained assurances from our pension fund testing as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements. Findings • We have received responses from the Surrey Pension Fund Auditor, and have reviewed it to gain assurances over pension fund controls over validity and accuracy of membership data, contributions data and benefits data sent to the actuary in 2023/24 • We have no assurance the council's assets valued in the prior year subsequently its net liabilities as a result of the impact of no prior year audits. • The disclosure of estimation uncertainty in the accounts requires enhancing to the note to the assumptions and inputs in the actuary's valuation of IA19 liabilities. The draft accounts, disclosure should show the most significant input in the valuation that is at risk of a significant movement in the next 12 months. • The balance sheet disclosure for Pension Liabilities needs to be disaggregated in 2023/24 so that this is shown separately as a line item (as opposed to being co-mingled with the lease liability note). The IAS Pension Liability is material and should have its own line (for the benefits of the users). We have been unable to conclude our work in this area due to the impact of disclaimed opening balances.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Group Accounts Consolidation Process The Authority is required to prepare group financial statements that consolidate the financial information of its wholly owned subsidiary undertakings. The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. Based on the 22/23 Spelthorne Borough Council (the reporting authority) has two wholly owned subsidiary companies: Knowle Green Estates Limited (KGE) - The purpose of the company is to hold investments in residential property around the borough. Spelthorne Direct Services (SDS), Incorporated on 29 June 2020. The purpose of the company is the collection, treatment and disposal of non-hazardous waste. The draft 22/23 accounts did not include Group Accounts. We will need to understand the key agreements in place for the above mentioned subsidiary companies. We have therefore identified a potential risk of group accounts consolidation resulting in a risk of error.	We • reviewed the key agreements to gain an understanding of the agreements put in place on the establishment of the companies; • discussed with key group personnel, the underlying substance of the transactions and the basis of the group's proposed accounting treatment of the arrangements; • critically assessed the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; • reviewed the Group structure of the Council; • obtained and copy of the Group materiality assessment to be prepared by the Council; • reviewed the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations. Findings Our initial review of the Group Accounts identified several omissions and disclosure misstatements in the 23/24 for which we have not had sufficient responses from management to review and conclude our audit work on: • The Group Movement in Reserves was not presented in line with the Code 3.4.2.58 • The Group MIRS's General Fund balances were different to the single entity accounts. These balances should be the same. • Intra-group transactions between the council and its subsidiaries appeared to be missing from the Related Party Transaction Note 29 • The Group Accounts were presented as a Note to the single entity accounts. The Group Accounts are a primary statement of accounts and require the same prominence as the single entity accounts. Code 3.4.2.18 • The Group Accounts did not include the associated notes to meet the segmental reporting of the Code 3.4.2.99 • The Group Accounts did not include the relevant disclosure notes where the notes are materially different on consolidation from the single entity accounts as per Code 3.4.2.85 (i.e. for Property Plant and Equipment, Payables, Debtors, Provisions and Unusable Reserves). As 23/24 is the first year of audit for the Council, we requested management to provide us with briefing papers and supporting evidence to gain an understanding of the relationship between the council and its subsidiaries and the related transactions. This information is important for the external auditors to be able to establish the underlying substance of the transactions which will impact on the accounting treatments in line with the relevant International Financial Reporting Standards. We were unable to review and conclude on this work as the information was outstanding at the time of drafting this report. Information requested related to the following: • Spelthorne Borough Council - Group Assessment Briefing Paper • Accounting Treatment of all Knowle Green Estate Transactions – impacting, Loans Receivables, Property Plan and Equipment, Deferred Capital Receipts, Investments, Leases, Financial Instruments and Presentation and Disclosures in the financial Statements. Therefore, due to the responses not being received in a timely manner to enable us to appropriately review and conclude our work before the backstop date, we will be unable to gain assurance over the Group Accounts and related disclosures impacted by the outstanding work. Therefore, we are unable to conclude our work in this area.	Council/Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Presentation and Disclosure The council's last unqualified opinion on the financial statements was in 17/18, and no subsequent external audit opinions have been issued since (at the time of writing this audit plan). We anticipate the outstanding financial statement opinion audits will be backstopped. There is a risk that accounting transactions are not being appropriately presented and disclosed within the 23/24 financial statements. We therefore identified the presentation and disclosure of the financial statements as a significant risk.	We will • considered the Authority's arrangements for preparing the financial statements and working papers; • discussed with key group personnel, the underlying substance of the transactions and judgements made; • critically assessed the financial statements in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; Findings • We undertook a "cold review" of the council's 2022/23 financial statements to engage early and identify potential issues or areas of the accounts that would require improvement when the council was preparing its draft financial statements for 2023/24. This was to help council officers prepare financial statements that are compliant with the current financial reporting requirements and environment as the council had not had an audit since 2017/18. The "cold review" findings was shared with officers in March 2024, before the council produced its draft accounts. When we received the 2023/24 draft accounts, none of the issues raised in the "cold review" had been responded to or addressed in the draft 2023/24 financial statements. Throughout the final accounts stage, we followed up with officers on the progress and responses to our queries. However, most of findings and queries were still outstanding at the final accounts audit stage at the time of writing this report. These points will be raised as action points going forward with agreed timelines for responses. • In our review of the draft financial statements for 23/24 presented for audit, senior engagement audit team members reviewed the accounts and raised several queries for which responses were not received in a timely manner for the engagement team to appropriately review and conclude their work. Where matters have not been adequately resolved, we will raise this matters as an action points in 24/25. • The council had restated some of its opening balances for 2022/23, despite that audit being open and no subsequent changes were made to the 2022/23 balance disclaimed by BDO. While we have no assurance over the opening balances (i.e. closing balances in 2022/23), we were not provided with sufficient explanations for the discrepancies. Therefore, we will have no assurance over the opening and closing balances for 2023/24 and any balances restated by management in 23/24. We are unable to conclude our work in this area.	Council/Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Minimum Revenue Provision The Council's Capital Financing Requirement as at 31 March 2023 was £1.1bn with external borrowing £1.1bn. The Council's minimum revenue charge for 2022/23 was £12m. The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF). According to regulations, the duty to make MRP extends to Investment Property where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements.	We: • tested that the council has appropriately calculated its Capital Financing Requirement (CFR). • tested that the Council is correctly identifying capital expenditure subject to MRP charge in line with the guidance. • reviewed and check that the Council's policy on MRP complies with statutory guidance • reviewed Council Committee and sub-Committee papers to check that full council has approved the annual Minimum Revenue Provision statement • checked that MRP has been calculated in line with the authority's policy on MRP • assessed whether any changes to the authority's policy on MRP: a. have been discussed and agreed with those charged with governance b. have been approved by full council c. are adequately explained and evidenced d. comply with statutory guidance e. are in accordance with any legal or other professional advice obtained by the authority. Findings: Based on our review and observations, there is a risk the Council's MRP charge is not fairly stated. Please refer to the accounting judgements and estimates (Page 33) for findings relating to Minimum Revenue Provision for 23/24	Council

2. Financial Statements: Other risks

Audit Risks	Commentary	Relevant to Council and/or Group
Cash and Cash Equivalents	In our review of the council's cash and cash equivalent note disclosed in the draft account, the Council had a positive balance (asset) of £9.7m which included Bank Accounts, Cash Equivalents and Petty Cash as per below: Bank Accounts (£2.8m) This balance was reconciled to 6 General Ledger balance, which appeared to be netting off each other, with some credit balances and debit balances to arrive at the £2.8m: 2 General Ledger Accounts had a Gross Debit Balance of £45m and Gross Credit Balance of £45m 3 General Ledger Accounts with a description of New Lloyds had a Gross Debit Balance of £12m 1 General Account with a description of Co-Op Balance had a credit balance of £8.9m All 6 General Ledger Accounts were reconciled to only 2 Lloyds Bank Accounts. The bank reconciliation process for the two accounts reconciled on a running total each month with a series of adjustments made to the Council's reconciliation. This process requires improvement as it was challenging to understand some of the adjustments on the bank reconciliation. In addition, we understand that one of the balances in the Bank Accounts on the General Ledger (Co-Op) was closed in 2016, however has not been closed on the ledger and appears to have a negative or overdraft as per the Council's records, (£-9.2m). This account will need to be reviewed and ensure it is closed off appropriately. Cash Equivalent (£6.9m) On receipt of the draft accounts, we were not provided with the evidence to support the £6.9m of cash equivalents initially as part of the cash and cash equivalents working. This was provided later on in the audit on request and we identified 2 short term investments that are part of the cash balance for which information on the counter party details had not been previously provided. Alternative evidence was sought while external 3rd party confirmations were requested and these were outstanding at the time of drafting this report. Petty Cash (£5k) The Petty Cash was disclosed as £5k, however, these general ledger account balances had no change from opening balance and closing balance, possibly indicating no reconciliation has been undertaken or the accounts are no longer in use. Findings Our year end bank confirmation was received from Lloyds which showed the Council had 6 bank accounts with Lloyds Bank. However, only one Bank Reconciliation was provided by the Council, with only two accounts which had been reconciled. There was no bank reconciliation provided for the other 4 bank accounts as held by Lloyds, therefore, we can not be assured what the closing cash balance is. Therefore, based on our review of the cash and cash equivalent, we are not assured that the council's cash balance is correctly stated. We have been unable to conclude our work in this area	Council

2. Financial Statements: Other risks

Audit Risks	Commentary	Relevant to Council and/or Group
Collection Fund (Business Rates & Council Tax)	The Council's records provided for audit of the Council's Collection Fund were inadequate for us to review. Our review of the NNDR (Business Rates) workings, we identified several weaknesses in the council's calculations and working paper. The initial NNDR (business rates) workings provided for audit, could not be reconciled to the collection fund in the accounts. Therefore, we requested the officers responsible for the NNDR workings to reconcile the NNDR income Receivable back to the Academy System, demonstrating the gross amount receivable and adjustments for applicable reliefs. We are not assured that the NNDR workings for 23/24 are fairly stated. In addition, there are arrears, prepayments including surpluses and deficits in the prior periods (provision for appeals), which will be on the Council's Collection Fund workings for 23/24, consequently this means we have no assurance over these balances. In our review of the Council Tax workings, we identified a number of weaknesses in the council's calculations and working paper. We were not provided with an adequate reconciliation between the Council's General Ledger and Academy. Similar to the Business Rates workings, we have no assurance over the arrears, prepayments, deficits and surpluses in prior periods, which are reflected in the Collection Fund and the Council's accounts. (Recommendation). During the audit, we were informed that LG futures would be reviewing the Council's Collection Fund 2023/24. The review identified several issues in the Council's calculation of Council Tax and Business Rates: Reconciliation issues between the general ledger position and Council Tax and Business Rates Updating the Council Tax's opening balances being required Reviewing the Council Tax's Bad Debt Provision Charge in the Collection Fund Updating the NNDR3 for issues identified and resolve issues with DLUHC for collection fund splits Review the NNDR bad Debt Provision – for example- council appear to have provided for 135% of the NNDR Review why the NR7050 report is not picking the correct closing balances Council considers whether 2022/23 collection fund needs to be reviewed given the differences in the Collection Fund surplus/deficit differences in the statements Based on our review and the lack of adequate workings that can demonstrate to us that the collection fund workings are fairly stated. We are therefore not assured that the following balances: Collection Fund Income and Expenditure, Collection Fund Arrears and Prepayments, Provision for Appeals (both in the Collection Fund and Council's accounts) Collection Fund Surpluses and Deficits, Income and Expenditure disclosed in the Council's CIES and Balance Sheet including the relevant statutory adjustments within the collection fund adjustment account. We have been unable to conclude in this area.	Council

2. Financial Statements: Other risks

Audit Risks	Commentary	Relevant to Council and/or Group
Payroll and Staff Costs	We have We reviewed the council's staff costs and substantively tested the council's staff costs for the year. • As part of our work, we used Audit Data Analytics to reconcile the gross employee costs to the General Ledger and analyse the pay costs • We selected a total of 12 new starters 12 leavers, 12 change of circumstances in 2023/24 and agreed them to a new starter form and leaver form respectively and checked their FTE. No material issues were noted from testing • We sample tested 5 employees in the year and completed the following: agreed their payslip to their contract of employment, checked that they were on the appropriate salary banding, reperformed the employers and employee's National Insurance Contributions and PAYE and Local Government Pension Scheme. No material issues were noted from testing. Observations and areas of improvement: The payroll reconciliation to general ledger provided by officers was not complete and difficult to follow for which pay elements were being reconciled. This area requires improvement. In addition, in our review of the mapping for the Expenditure and Income by Nature, we note that the Pensions IAS 19 Journal was mapped to income that should have been mapped to employee costs Our review of Additions, noted salary costs that had been capitalised and unclear whether these individual were directly creating an asset or not. Therefore, there is a risk that payroll is misstated in 23/24 but we have not been able to determine the extent of the error.	Council
Operating Expenditure	We have: • We experienced challenges with the operating expenditure listing particularly the mapping of transactions which required adjustments. • We were not provided with a clean listing for operating expenditure at the start of the audit, our substantive sampling included both debits (operating expenditure) and credits (adjustments to expenditure). • We selected a sample of 41 items to agree to supporting evidence. • Tested each selected sample to supporting invoice or 3rd party backing, agreeing period, amount, conditions and if the performance obligations have been met to recognise the expenditure. • At the date of this report, we have concluded our testing on 39/41 of the samples selected. We have identified 1 (£14.4k) misstatements which individually and when extrapolated are below our headline materiality but above our triviality amount (error £117k), We were unable to conclude on 1/41 due to the timing and conclusion of the audit. • We note there is a potential understatement on expenditure in 23/24 and this may potentially impact the prior years which are disclaimed. From our additions testing and review of asset under construction, review of council minutes, we identified some costs that have been capitalised by management that appear should be charged to revenue, which would indicate that revenue costs is understated in the current and prior periods by £15m. We are unable to be assured due to the impact of the disclaimed prior year accounts and the arrangements in place to backstop 23/24 audit by 28 February 2025. We are unable to conclude our work in this area.	Council

2. Financial Statements: Other risks

Audit Risk	Commentary	Relevant to Council

Completeness (Expense/Payables) Testing	We have:
	• Obtained an understanding and evaluated the design and implementation effectiveness for the operating expenses system
	• Searched for unrecorded liabilities by performing a substantive sample of invoices input on to the accounts payable system post period end. We note that we were not provided with all the bank reconciliations for year end, therefore, there were some limitations on our completeness testing.
	• Performed substantive testing on a sample of expenditure included within the year to make sure they were correctly recorded
	• Performed substantive sample testing of liabilities recorded in the ledger to gain assurance that liabilities are accurate and not understated.
	• We note that we were unable to conclude our work on payables and operating expenditure
	• We selected and tested 25 payment items from the Council's Bank Account provided and a further 25 samples from invoices received by the council. Therefore a total sample of 50 samples
	    • 20/25 payments made by the council were passed, however, we were unable to conclude on the remaining 5 samples.
	    • 25/25 invoices received at year end, Fieldwork had been completed but work was subject to review from senior management.
	Observations: We encountered challenges in obtaining the transaction listing for our completeness testing as officers were not familiar with the reports and information we had requested. The audit team had to assist the finance officers and in some cases to obtain the information directly from the ledger. This does not lead to an efficient audit, but we recognise that the council has not had an audit for several years. This is an area of improvement for 2024/25
		Council

Payables Testing	We have:
	• The working papers for trade payables were inadequate. Therefore, we had to alter our audit approach to test this balances. The Council could only provide listings using the General Ledger at the account level (as a detailed clean listing at transactional level was not available) which had a significant number of debits and credits, including large opening balances in the transaction listings. This required a significant amount of cleansing and further listings in order to identify the payables outstanding at year end.
	• In addition, we noted errors in the year end journal called the "Window dressing journal", which included entries being posted the wrong way around (also noted in the misstatements tab). This year end process done by the Council makes audit sampling more difficult, as the "window dressing journal" increases the debits and credits in the population rather than moving the account codes that should be reclassified between receivables and payables.
	• We noted 4 errors within the listing provided, i.e. £2.4m (relating to the "window dressing journal") and £170k (relating to the Purchase Ledger Control Account) of receivables that was incorrectly classified, and in addition, tenant deposits incorrectly classified as payables £877k (in Note 19) and a further adjustment for £24k for overstated charity balances. The were was also £2.9m error, that we were unable to determine the accounting treatment, as no supporting working paper was provided, however, we understand this relates to MHCLG covid-19 grants. Management have proposed to review balance in 24-25. However, we have not been provided with evidence regarding the covid-19 grants reconciliation to demonstrate whether the amounts are outstanding or were paid back (as this occurred during the pandemic and those accounts are disclaimed).
	• Our substantive procedures tested the payables balance to ensure these are valid at the balance sheet date, 25 samples (20 credit balances and 5 Debit Balances) were selected from the payables balance. From the detailed testing we identified the following
	    • 14 out of 20 samples were passed as valid payables at year end.
	    • 2 out of 20 samples were failed (i.e. £8k insufficient evidence to support the accrual, £13k error accrual raised on unspent funds (i.e. budgeted) and £250k accrual based on evidence submitted should not have been accrued)
	    • 2 out of 20 Samples related to rents receipt in advance i.e £9.7m (See Receivables Testing, slide 27) and the other sample related to Rent Frees £1.2m (lease incentives), we were unable to conclude on these samples.
	    • 2 out of 20 samples we had inconclusive evidence to support the accrual or were not resolved prior to the conclusion of the audit.
	    • 5/5 debit balances tested passed.
	We were unable to conclude our work to determine whether the payables balance disclosed in the accounts is fairly stated.
		Council

2. Financial Statements: Other risks

Audit Risk	Commentary	Relevant to Council and/or Group
Other Fees and Charges	We have: Reconciled the listing provided to the Trial Balance but noted mapping issues for other sales, fees and charges that we were unable to resolve. There was a debit balance for Sales (£1.7m) in the Expenditure and Income by Nature Note. Income should have a credit balance. We queried this with officers, and we were informed this was due to an adjustment for loan repayments from the Council's Subsidiary. We have no assurance over the accounting treatment for this. The total debit entry against this balance was £2.5m There were IAS 19 journal entries mapped to income that management need to assess and review and consider an appropriate line item in the Expenditure and Income by Nature to map them to. We substantively selected 14 samples from the remaining credit population of £5m. 10/14 samples out of the 14 based as income. 1/14 sample we failed, due to the planning permission amount billed being different to the income received. 3/14 samples had queries on-going that were unresolved. Observations: Management will need to undertake an IFRS 15 assessment of their revenue streams. We are unable to conclude our work in this area	Council
Receivables Testing	We have: The Council could only provide a listing at the account code level from the General Ledger and this required further breakdowns and this added delays to issuing our samples out and further listings provided required cleansing for opening balances, movements in year and to determine the closing balance of payables. (See slide 26, findings on payables) We noted 4 errors within the listing provided, including £2.4m of receivables that was incorrectly classified between receivables and payables (arising from the Window dressing journal). There was another amendment to the listing totalling £216k relating to PCC elections. Receivables was noted as significant risk linked to the risk of error and fraud as per the ISAs. Our substantive procedures included sample testing the balance to ensure these are valid debtors at the balance sheet date, 44 samples were selected from the receivables balance. There is an elevated risk of material misstatement around the accounting treatment of debtors relating the council's leasing arrangements (whereby a potential misstatement of debtors for lack of consideration of lease incentives, noted under revenue recognition) and we were unable to determine, the extent of the misstatement relating to lease receivables. Other issues noted include the following: Controls over rental income in advance, we identified that there were weaknesses in processes/controls in place to verify if the rental income is received in bank or not to be accounted for as income in advance. The Council raises the receivables as the invoice is raised and the payables is credited at the year-end. As a process, C&W receives the rent from the tenant which is then passed over as a consolidated amount to the Council. This could result in the timing difference of the income received by the Council at the year end.	Council

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Receivables Continued	• For special debtors, we have noted two classification errors capital & revenue grants unutilised considered as debtors. This should be classified as capital grants unapplied and revenue grants should be transferred to reserves. The extrapolated error amount is £360,824. • For the general debtors, for one sample we were unable to obtain the evidence amounting £10k and for another, we identified a classification error where similar to rental income in advance, the gross up approach is followed, A creditor is created for 24 months for the rent payable under a scheme and at year end a debtors is debited with the amount that pertains to 2024/25. This results in net balance sheet position to be correct, but the debtors and creditors are overstated. Total extrapolated error amount is £635,535 • For HB Overpayment samples, we have been unable to obtain evidence for some of the samples at the time of drafting this report. As a result, we are unable to obtain the assurance over the HB Overpayment debtors. Out of the total samples selected of £25k, we are unable to obtain the evidence of £9k. We are unable to conclude our work in this area.	Council

Completeness of Receivables/Income	We have
	• Similar to our completeness testing on expenditure/payables, we experienced challenges will obtaining the listing for income and expenditure. ,
	• Reviewed the revenue recognition criteria for the council for commercial income and noted issues with the lease recognition.
	• Performed substantive testing on a sample of income included within the year to make sure it is correctly recorded and identified issues (See significant risks)
	• We note that we were unable to conclude our work on receivables and commercial rents and other rents.
	• We selected and tested 25 payment items from the Council's Bank Account provided and a further 14 samples from invoices raised by the council. Therefore, a total sample of 40 samples
	    • 20/25 payments made by the council were passed, however, we were unable to conclude on the remaining 5 samples.
	    • 13/15 invoices received at year end, fieldwork had been completed but subject to review from senior management. Our work had identified 1 fail (sample was not accrued for in 23/24), and 1 unable to conclude (invoices for which further follow-up with officers would have been required to understand the accounting treatment).
	Observations: We encountered challenges in obtaining the transaction listing for our completeness testing as officers were not familiar with the reports and information we had requested. The audit team had to assist the finance officers and in some cases to obtain the information directly from the ledger. This does not lead to an efficient audit, and we recognise that the council has not had an audit for several years and officers maybe unfamiliar with the audit process and information requirements. This is an area of improvement for 24/25
	We are unable to conclude our work in this area
		Council

Grants and other contributions	The Council receives several grants from central government and other bodies including contributions from other bodies. As the council has not had an audit for several years, there is a consideration over the accounting treatment of grants i.e. agent/principal, whether grant conditions have been met or not, including whether restrictions exist. At the time of drafting this report, we had selected 22 samples in our testing of grants. We had passed 12 out of the 22 samples. We were unable to conclude on 10 as these would have required further follow-up with officers to determine whether the accounting treatment is appropriate. There are specific accounting requirements for Grants and Contributions as set out within the CIPFA Code (i.e. whether grants are accounted for as income, receipt in advance or reserves (useable or unapplied). Our population sample population for grants and contributions included central government grants, community infrastructure levies, contributions for insurance charges. We are unable to conclude our work in this area	Council

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation • Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	When the council presented the draft accounts for audit, within the PPE note, the council had recognised a Right of Use Asset. The council had not disclosed in the current year accounts or prior year accounts that it was looking to voluntarily adopt IFRS 16 in 23/24. We would have expected management to disclose the title of the standard, initial application and nature of the changes in account policies. No such disclosures were present in the draft accounts. In addition, if adopted early, the council had material disclosure omissions, required by IFRS 16. We have undertaken a review of the working paper provided by management and concluded we have no assurance over its completeness and accuracy. We propose that the Council reverses its 23/24 accounting entries and undertakes a detailed review in line with most local authorities adopting the standard in 2024-25.	We have no assurance over the accounting of IFRS 16 for 23/24. We have raised an action point for management to take forward into 24/25.
Recognition and Presentation of Grant Income • The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	The Council receives several grants from central government and other bodies including contributions from other bodies. As the council has not had an audit for several years, there is a consideration over the accounting treatment of grants i.e. agent/principal, whether grant conditions have been met or not, including whether restrictions exist. At the time of drafting this report, we had selected 22 samples in our testing of grants. We had passed 12 out of the 22 samples. We were unable to conclude on 10 as these would have required further follow-up with officers to determine whether the accounting treatment is appropriate. There are specific accounting requirements for Grants and Contributions as set out within the CIPFA Code (i.e. whether grants are accounted for as income, receipt in advance or reserves (useable or grants unapplied). Our population sample population for grants and contributions included central government grants, community infrastructure levies, contributions for insurance charges and we were unable to conclude our review of the Grant Income.	We have no assurance over the accounting of Grant Income in 23/24. We will follow-up on the accounting Grants and Other Contributions in 24/25

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £81.6m	The Council's property plant and equipment disclosed in the single entity accounts that are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The value of these assets was £81.6m, however, only £60.4m of assets were revalued in the year. The Group Accounts also include property plant and equipment held by the council's subsidiary that are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The value of these assets was £35m. The valuer applied a 0% uplift on the Group's assets (8% uplift in 2023) In the draft accounts presented for audit, management disclosed that the number of operational assets in their portfolio under £1m in value that had not been revalued at year end amounted to 31 assets with an average asset value of £100,595. Therefore, the council believes that its current valuation programme is not in need of change. Therefore, these assets have not been revalued. Based on the review of assets revalued, the council had £40m of assets not revalued in 2023/24. The Council's valuation was undertaken as at 31st December 2023, for both the single entity and group accounts assets. We were not provided with managements assessment of movements in assets on an individual asset basis between 31st December 2023 and 31st March 2024. We note the council's valuer provided a market commentary but no detailed review was completed on an asset by asset level between 31st December 2023 and 31st March 2024. In addition, no review was undertaken for assets not revalued in 2023/24.	We have completed the following: We assessed the competencies of the council's valuer Wilks Head and Eve, who undertakes a number of valuations in the Public Sector. For the assets revalued in year that we reviewed, we note that the overall assumptions and inputs used by the valuer were reasonable, they relied on information produced by the entity. Our review of the Fixed Asset Register identified a number of issues for which have resulted in us unable to rely on it. We have no assurance over the underlying information used by the valuer in assessing the council's valuation of Other Land and Buildings both in the single entity and group accounts. The valuation was completed as 31st December 2023. However, no assessment had been made on an individual asset level whether there had been a movement in values between 31st December 2023 and 31st March 2024. An overall market review was completed by the valuer, but none on an asset by asset level or by management applying the relevant indices. The disclosure in the Property Plant and Equipment note required on assets not revalued was also omitted. There is a risk of significant movement in assets on an individual asset level that is not being properly accounted for. The Council's Other Land and Buildings not revalued in 2023/24 was approx. £20m. We have no assurance over the last period these assets were revalued (as this would have been during the disclaimed period), management have not undertaken a review of these assets as to whether the carrying value is materially different to the current value. Our usual approach to testing this class of assets includes cyclical testing of rights and obligations, and testing of additions, disposals and depreciation in year. However, with prior years unaudited, it has not been feasible this audit year to go back over prior year transactions. We have also been unable to apply standard predictive approaches to depreciation as there is uncertainty regarding the opening balances and issues identified with the FAR. As a result, we will have to disclaim our opinion on the opening balances for this class of assets. The Council's disclosure of estimation uncertainty for property plant and equipment is non-compliant with the requirements of IAS 1 and will require enhancing for this estimate.	No overall conclusion formed this year, as our opinion has been disclaimed

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] 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 - £602m	The Council has a significant Investment and Property Portfolio relative to its size. The Council's values Investment Properties on a Fair Value basis every year. The Council's valuer for Investment Properties is Carter Jonas LLP for the majority of its Investment Properties with a small proportion valued by Wilks Head and Eve. There was a change in fair value for investment properties from 2022/23. This was a decrease of £152m Under Assumptions made about the future and other major sources of estimation uncertainty Note 5, management have disclosed that "The effect of Covid-19 and now the Cost-of-Living Crisis is having a significant impact on Investment Property values as at 31 March 2024, noting that all movements in value are charged to the CI&E account but are reversed out under regulation and held in unusable reserves and have no impact on taxation or usable resources. Currently, Council has no intention of disposing of any investment property and therefore, any potential losses on disposal will not materialise and therefore will not impact on residents or the Council's finances" "The effect of a 1% change in the carrying value of the investment properties would equate to a positive or negative change in value by £6m (£2022/23: £7.6m)	As a result of the impact of the disclaimed opening balances on Investment Properties for 23/24, we are unable to obtain assurance over the fair value Movement. As part the rebuild assurance, we have focused our review on the closing balance of Investment Properties: We assessed the competences and skills of management's experts. We engaged our auditor's expert to review the key assumptions and inputs driving the valuation change for investment properties held by the Council as at 31st March 2024. Our review identified a several issues pertaining to the valuation, including the quality of the source data, assumptions and inputs that required following up, for which we were unable to resolve within the backstop timeframe: • We have raised an action point for management to follow-up and with their valuer. • Our review identified one asset that was classified as Investment Properties but was valued on an EUV basis. • The accounting journal entry to reflect the fair value movement had errors within it, including around £30m relating to errors in the calculations done and omission of Investment Properties valued by Wilks Head & Eve £466k. • We are unable to comment on any changes in assumptions or methods from the prior period (disclaimed accounts) as we have no assurance over these balances. Accounting Disclosure: The Disclosures within the financial statements pertaining to Investment Properties need to be enhanced, i.e. ensuring that the estimation uncertainty Note 6 is enhanced and additional information and disclosure on the Fair Value Hierarchy of Investment Properties Disclosures.	'No overall conclusion formed this year, as our opinion has been disclaimed

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- [Green] 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 (surplus) – £6.4m	The Council's net pension liability at 31 March 2024 is £6.1m (PY £15.5m). The Council participates in the Local Government Pension Scheme (Surrey Pension Fund) Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied. The Council uses Hyman Robertson 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 March 2022. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements. There has been a £5.3m net actuarial gain/loss during 2023/24.	• From our work we have considered the below • We completed an assessment of management's expert with no issues noted • We have completed an assessment of actuary's approach taken, • Used of PwC as auditors expert to assess actuary and assumptions made by actuary – use table to compare with Actuary assumptions (see table below) • Completeness and accuracy of the underlying information used to determine the estimate • Completed a reasonableness of the Council's share of LPS pension assets. • Completed a review of the reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements. Due to the impact of the disclaimed opening balance, we have no assurance over the opening balance and subsequent movements in the IAS19 report disclosed in the accounts. At the time of writing this report, our review of Pension Liabilities work was on-going.	'No overall conclusion formed this year, as our opinion has been disclaimed

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.80% to 4.85%	●
Pension increase rate	2.8%	2.75% to 2-80%	●
Salary growth	3.8%	2.8% -3.8%	●
Life Expectancy -Current Pensioners Males	21.8 years	PwC state the actuary approach gives a reasonable nest estimate life expectancy (by use of SAPs or Club Vita table)	●
Life expectancy – Future Pensioners Males	22.4 years		●
Life expectancy – Females currently Females	24.5 years		●
Life expectancy – Future Pensions Females	25.9 years		●

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £12m	The Council's summary of its MRP policy that was shared with the Council is summarised below: For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard. For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, and will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.	We completed the following: We challenged the MRP policy applied by the Council and requested management to provide us with the background papers and management's judgement for adopting its current MRP including the underlying assumptions and key inputs driving the MRP charge. We were not provided the relevant background information during the audit, but our observations are as follows from the limited information we have been provided or been able to find in committee papers: In the Draft Accounts, the Council had a Minimum Revenue Provision disclosed under its Capital Financing Requirement (CFR) Note. The closing CFR for 23/24 was £1.2bn (22/23 0 £1.1m) and the MRP charge was £12m which equates to 1% of the opening CFR. In our work, we challenged management on the rationale for charging only 1% as an MRP charge, responses were not received to allow us to determine whether management's estimate is reasonable and their justification. Based on our knowledge of the sector, as a benchmark, we would expect the MRP Charge based on the opening CFR to be approximately 2% which would suggest MRP Charge should be approximately £23m as an estimate. In addition, the CFR note 30 incorrectly refers to the MRP provision as repayment of Debt (MRP is a statutory charge to the General Fund). The Council's MRP schedule that was provided appeared out of date or was based on a schedule produced from the 2021/22 budget papers for which we have no assurance over that period. We were informed during the audit that the Council's adviser for MRP (Arlingclose) would be reviewing its current MRP and this would be updated, however, the relevant working papers were not provided by management at the time of the audit. The Council's MRP policy that it has adopted is based on the Annuity Method profiling the payment or provision of MRP based on the expected useful life of the asset. The annuity method is a permitted option under the Statutory Guidance on Minimum Revenue Provision – Option 3 Asset Life Para 35. states Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset (with the annuity method being one of two options permitted). The guidance states that this method links the MRP to the flow of benefit from an asset where the benefits are expected to increase in later years (the guidance further states that the use of this method is attractive to those projects promoting regeneration or administrative efficiencies or schemes where revenues increase over time) . We have not been provided with the profiling of benefit from the assets the Council has acquired and how this links back to the MRP and how the chosen annuity method is specifically applicable or aligned to the purpose the property investments (including the property plant and equipment) the Council holds.	No overall conclusion formed this year, as our opinion has been disclaimed

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate | **Summary of management's approach** | **Audit Comments** | **Assessment**

Significant judgement or estimate: Minimum Revenue Provision - £12m

Summary of management's approach:

The Council was debt-free before 2016/17, and MRP was not applied until 2017/18. MRP has been determined using finance models for specific major property acquisitions for which PWLB loans were obtained, with principal repayments calculated over 50 years based on the annuity rate applicable at the time of the loan. Capital expenditure incurred will not be subject to an MRP charge until the asset is brought into use.

Audit Comments:

The Council's excel schedule assumes that all its assets on the MRP schedule have a 50 year useful from the date of purchase. However, based on the CIPFA Capital Review, the following table shows when properties were purchased and the age of each of the assets at purchase and age at the time the MRP is fully provided for.

Asset	Purchase Value	Built (a)	Purchase Year (b)	Final MRP Charge Year (c)	Years old at date of purchase (b-c)	Years old at MRP pay-off (c-c)
Thames Tower	£119m	1970*	2018	2070	48	100
Roundwood Avenue	£21.4	1990	2018	2068	28	78
Elmbrook House	£7.2	1995	2017	2067	22	72
Sunbury Business Park - SW	£28	2000	2016	2067	16	67
Sunbury Business Park – Main site	£377	2014	2016	2065	2	51
Hammersmith Grove	£384.9m	2016	2018	2068	2	52
Charter Building	£135.9	2016	2018	2069	2	53
Porter House	£66.5	2017	2018	2069	2	52

While a 50 years UEL is permitted by the Guidance, we were not provided with management's rationale and judgement for adopting the top end of the UEL stipulated in the guidance, and from our observation and from a reasonableness check, we consider this is an unrealistic assumption/input in the model. The CIPFA Guidance to Capital Financing in Local Government states that in setting "useful lives, local authorities should consider their general responsibility to make prudent provisions. It would not be reasonable to set useful lives at the maximum potential life for each asset".

For one of the Investment Properties, we note that the Council's value *"We are of the opinion that the existing remaining useful life of the buildings on the site is at least 30 years with the exception of Building 122 which we believe is less than 20 years"* However, both these assets had UEL of 50 years on acquisition. Management should provide evidence for the asset lives adopted as this is a key input and assumption.

Assessment:

No overall conclusion formed this year, as our opinion has been disclaimed

**** Thames Tower***

* We understand that the building frame dates back 1970's but in 2017 there was substantial refurbishment of the property that was completed providing new M&E, air con, cladding, windows, lifts and all internals (i.e. added 4 floors in a steel frame .

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Audit Comments	Assessment
Minimum Revenue Provision - £12m	In our review of the accounts, we noted that the Council has a Long Term Receivable for Loans Advanced to Knowle Green Estate. We requested management to provide us with background information and briefing paper on the group arrangements with Knowle Green and the accounting treatment of the loan arrangements. This information was required by us as auditors in order to determine the substance of the underlying transaction. We note that loans and grants towards third party capital expenditure are under the scope for MRP but the Council's MRP policy excludes such arrangements. We were not provided with sufficient information to conclude in this area, as management responses were outstanding at the time of the audit and management's policy does not extend MRP to such arrangement, which could be a possible indicator of underproviding for MRP. In addition, it is our understanding, that the Council transferred capital assets to its subsidiary Knowle Green Estate. During the audit, we requested management to provide the accounting treatment of these properties transferred and provide a management briefing paper. Responses from management were still outstanding at the time of drafting this report. There is a risk that these properties are not being accounting for in accordance with applicable reporting framework and MRP charge is not being charged for these properties or MRP is undercharged for the assets. Other Issues noted and that will require addressing - There were discrepancies in figures between the Council's draft accounts for assets under construction and those disclosed in the MRP workings presented for audit, which was also the most up to date version which required management to follow-up with their Advisor to provide up to date workings. There is a risk that MRP is undercharged for assets that may have become operational or surplus assets and MRP should be made - In our observation, some assets in the schedule had missing information or appeared to have been lumped onto other "master" assets (with a different UEL, with no explanation) or had missing MRP calculations, i.e. BP SW Corner Site had nill MRP despite having an unfunded expenditure of £28.3m and 2 assets for Hammersmith Grove were lumped onto together despite one of them having an MRP years of 40 years. - Our review of the Fixed Asset Register identified assets purchased, which were no longer going ahead or suspended, but no appropriate consideration for charging MRP has been made for these assets (even if the assets are disposed or written off, there is potentially a need to charge MRP as these would have been financed through debt) - Our review of the Fixed Asset Register, identified expenditure that does not meet the requirement of Asset Under Construction under IAS 16 or IAS 40, potentially means the General Fund is not fairly stated but also the MRP calculations are incorrect. There is a risk these issues will impact prior year recognised capital. - The MRP schedule provided appeared to indicate that the Council had a £2.8m over-provision from the year 21/22, which was being recovered in subsequent years. We have no assurance over this balance as no calculations or evidence has been provided to support the entry in the accounts.	No overall conclusion formed this year, as our opinion has been disclaimed

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] 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	Audit Comments	Assessment
Minimum Revenue Provision - £12m	Based on the information we have been provided and our observations, we are unable to conclude whether the MRP calculation is compliant with the applicable statutory guidance. The scope of our work is limited by the backstop arrangements and the limitations imposed by the disclaimed prior year (unaudited accounts) for which we have no assurance over, particularly the years in which properties were acquired, subsequent additions incurred, disposals (which have occurred previously), loans to 3rd parties and including any MRP charges (i.e. under or over charges), lack of evidence to support the council's MRP policy. Therefore, we have no assurance over both the opening and closing balance of the council's MRP Charge and the related entries. We will build this assurance in the future. However, we have noted weaknesses in our observation and raised a Recommendation. Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	No overall conclusion formed this year, as our opinion has been disclaimed

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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 Committee 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 procedures.
Matters in relation to related parties	In our review of the Council's accounts, we identified that the Council had not disclosed counterparty balances with its subsidiary which are likely to be material. At the time of writing this report, responses to our audit queries were outstanding from management.
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. While undertaking the 2023/24 audit, the Council had a Best Value Inspection on-going at the Council and had not concluded at the time of drafting this report
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 Committee papers.

2. Financial Statements: other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation request(s) to Banks and third parties. This permission was granted and the requests were sent by the audit team to relevant parties and banks. All these requests were returned with positive confirmation. Follow-up with queries with 3rd Parties for a number of the counterparty confirmations were on-going due the incorrect period end date being confirmed. In our testing of cash and cash equivalents, we identified 2 short term investments totalling £6.9m for which no initial working papers had been provided but further details were provided subsequently. Alternative audit procedures were performed while 3rd party confirmation requests were sought.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We raised a number of queries regarding the accounting treatment of a number transactions (some which occurred during the disclaimed years, as these inform our audit understanding of transactions and disclosures within the accounts). Specifically matters raised were in the following areas - Accounting for loans advanced to 3rd Parties (council's subsidiaries). - Assets transferred to Knowle Green Estate. - Group Arrangements including the underlying process in place for accounting treatments. - Deferred Capital Receipts Disclosed within the accounts. - Minimum Revenue Provision accounting and management judgements and assumptions. - Pooled Investments and accounting consideration of IFRS 9. - Revaluations of the Council's PPE and Investment Property Valuation - Revenue Costs that have been capitalised inappropriately. - Fixed Asset Register issues (including its associated impact on annual revaluations) - Assets Under Construction balances for suspended projects including. - Revenue Recognition and accounting of lease incentives and associated debtor/creditor balances. - Accounting Treatment of Project Harry Assets and Receipt in Advance Treatment. - Early Implementation of IFRS 16 including completeness of the information. - Collection Fund and appropriate reconciliations and working papers to support entries and balances. - Presentation and disclosures of accounting policies and relevant notes in the accounts. The above is not the full list accounting matters raised but we have raised recommendations to management for which appropriate action will need to be taken to address.
Audit evidence and explanations/ significant difficulties	The Council has not been subject to a detailed and focus audit visit for several years, and combined with the regulatory environment in which auditors are now working, it was expected that the audit for 2023/24 would be a learning experience for both sides. During the audit, we were unable to conclude our audit in a manner that meets the requirements of the ISAs in order to provide assurance that the financial statements are true and fair. Our work was impacted by the prior year disclaimed financial statements (2018-19 to 2023/23) and the subsequent impact this has had on 2023/24 financial statement audit. In addition, there have been a number of audit queries raised by the audit team as part of our work that we have not received sufficient and appropriate audit evidence from officers or responses within the timeframe permitted by the backstop to issue an audit opinion.

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 and Groups meets this criteria, and so we have applied the continued provision of service approach. . In doing so, we planned to consider and evaluate: • the nature of the Group and Council and the environment in which it operates • the Councils and Group's financial reporting framework • the Council's and Groups system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain 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, Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We intend to disclaim the 23/24 financial statements and therefore, we are unable to comment on whether information is materially inconsistent with the financial statements as we are unable to conclude on our identified risks in a number of areas.
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. Our work at the time of drafting this report was still on-going and the council's multi-year audit auditors annual report was still pending (from BDO) including the Best Value Inspection outcome. Subject to the findings and outcome, we will review and decide whether we will apply any of our statutory powers or duties.
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. This work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023/24 audit of Spelthorne Borough Council in the audit report, as the prior years value for money reports have not been concluded.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

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

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

5. Independence considerations

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:

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 at Appendix E.

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 Grant Thornton International Transparency report 2023.

5. Independence considerations

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 Company 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 [that would exceed the threshold set in the Ethical Standard

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

5. Independence considerations

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 identified for which work is yet to commence, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit	£39,525	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 £39,595 in comparison to the total fee for the audit of £230,086 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) Management threat	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.

In November 2024, the Council were engaging with Grant Thornton to appoint our Grants Assurance Team to perform the DWP Subsidy grant audit for the 2023/24 claim form. The fee detailed above is the proposed fee, subject to final letter of engagement. We have noted the above fee for consideration by audit committee.

5. Independence considerations

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 Company 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 that would exceed the threshold set in the Ethical Standard.

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 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

Appendices

A. Communication of audit matters to those charged with governance.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 16 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	Quality of working papers and clarity of the audit trail As noted in the summary page, the audit process was hampered by issues with the clarity of the audit trail provided and a substantial number of audit queries back and forth with officers. We have a number of queries for which officers have not responded to us in a timely manner which has impacted the audit conclusion significantly. - The working papers to support the financial statements were not immediately available and the engagement team had spent a significant amount of time with officers to obtain the appropriate information. - The Council's SOA Template had several mapping errors in the EFA, the Income and Expenditure by Nature and including mapping issues impacting receivables and payables. - Listings for receivables and payables were not immediately available. - Listings for additions are cleansed and only have capital additions being recognised in year. - NNDR and Council Tax workings and reconciliations not reconciling. - Fixed Asset Register did not agree to the financial statements.	**We recommend that the Council:** Review the process used to produce the year end accounts and identify areas where further improvement needs to be made Ensure that all disclosure have supporting working papers and there is a clear mapping between the general ledger and the financial statements Ensure detailed transaction listing agree to financial statements and cleansed listings are provided. **Management response** We agree to review, ahead of the year end, our year end accounts processes, we will ensure all disclosures have supporting working papers with clear mapping, and detailed transaction listings agreeing to financial statements are provided.
	Review of financial statements A number of inconsistencies and disclosure omissions were identified during our review of the financial statements. This indicated a lack of internal critical review prior to the financial statements being presented for audit. - Cold Review Points raised in March 2024 by external audit to facilitate a smooth audit for 23/24 had not been actioned by officers throughout the audit. If resolved, this would have assisted and informed the accounts process including resolving any significant matters. - Review of the Accounts, a number of points were raised during the audit by the engagement team. Responses were not provided in a timely manner and were still outstanding or unresolved at the time of writing this report.	**We recommend that the Council:** Develop a year end timetable for the production of the accounts which include sufficient time for management review. Utilises the CIPFA checklist to ensure that disclosures are complete and produced in line with code requirements. Officers review the requirements of the CIPFA code and any changes pertaining to the year under audit. Officers engage early with external audit, to discuss any matters that have significant financial implication for the council, such as any significant disposals, additions, or unusual accounting transactions, etc 24/25 **Management Response** We agree to the recommendations. Drafting of a year end timetable is underway, with a complete timetable to be ready by the end of January. We will engage early with the external auditors on any significant issues.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	**Bank Reconciliation Process and Cash and Cash Equivalents** As noted in the report, our review of the bank reconciliation process identified that the process in place was overly complex and due to the amalgamation of different general ledger account codes that form part of the bank balance. This made identification of reconciling items and their clearance difficult. There were also other issues identified in our review of cash and cash equivalent - 4 bank account confirmations did not have reconciliations - 1 bank account as per the General Ledger for Co-Op was closed in 2016 but it has never been reconciled or cleared from the council's accounting records - There are some petty cash balances as per the General Ledger which have not been reconciled or have had no movement in year (therefore unclear the last time these accounts were reviewed) - Reconciliation process requires improvement to ensure there are appropriate clearing of both receivables and payables from the council's records and balances. Without adequate bank reconciliations in place, we are unable to confirm the balance as at 31st March 2024 is fairly stated. In addition, the bank reconciliation also interacts with the payables and receivables balance, ensuring these are up to date and not materially misstated.	We recommend that the Council: Perform a review of the bank reconciliation process to simplify the bank reconciliation process and review and clear all old and out of date reconciling items and ensure that amounts included in the reconciliation and the ledger are valid cash items. **Management response** We agree to the recommendations. A review of the reconciliation process is being undertaken to simplify the process. This will be done by the end of March, we are in the process of closing bank accounts that are not required and moving balances to one General Ledger code to simply the main bank account reconciliation. After that, there will be two reconciliation to do for two bank accounts (Main & Assets Accounts)
●	**Journals and quality of audit evidence** Journal entries are used to post both standard and non-standard transactions in Council's general ledger. Management override of controls of an organisation's records often involves the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries which may occur throughout the reporting period or at the period end. Our testing of journals identified a number of issues. - Journals erroneously posted at year end for revaluation adjustments and in some cases crediting the general fund for accumulated depreciation as opposed to the revaluation reserve, writing off assets incorrectly on revaluations that still existed at year end, - Quality of audit evidence provided for posting of journals needs improving, so that the trail can be followed through by the approve and creates an adequate audit trail.	We recommend that the Council: Review their arrangements for journals posted and ensure policies are updated appropriately to reduce the risk of error or incorrect posting of journals. This could be through ensuring people approving the journals understand the purpose of the journal and audit evidence and explanations are provided. Management response. We agree with the recommendations and will improve training to the accountants - Mid February

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	Commercial Rental Income: Our Review of commercial rental income identified that the Council: The Council has a material income stream from leases. In our review of commercial leases we noted that, the Council did not make any revenue accounting adjustment relating to lease incentives embedded within the Council's operating lease agreements as a lessor in prior years and within the current period as per the requirement in the code. This also needs to be reflected in the accounting policies appropriately to the readers/users of the accounts. The council will need to undertake an assessment to determine the impact of not accounting for lease incentives. For example, lease incentives are common within commercial properties and take many forms.	We recommend that the Council The Council needs to put in place appropriate arrangements for the ensuring commercial rental income is accounted for in line with prevalent accounting standards. - Ensure appropriate review of commercial income operating leases (as lessor) and determine impact on revenue recognition. - Ensure the Council updates its accounting policies for operating leases (as lessor) in line with the relevant accounting standard. - Ensure it undertakes a leases audit or review to identify the key information to comply with the requirements of IFRS 16. - Ensure there is a consolidated schedule or working paper folder that summarizes information within the commercial rents income (including lease incentive adjustments, rent reviews etc) and income recognized in year of audit, to facilitate audit being able to audit the information in a timely and efficient manner - Assess the impact of IFRS 15 for those contracts with customers not under scope of lease income i.e. any applicable service charges and other income Management response The Finance team started accounting for lease incentives in the 2023/24 accounts and included backdated adjustments for prior years to the 2023/24 financial year. We agree to the recommendations, but we have provided evidence of revenue recognition in line with relevant accounting standards.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations

●	**IFRS 16 Implementation:**
	The CIPFA Code has deferred IFRS 16 for local authorities for a number of years. However, most local authorities will be implementing IFRS 16 in 2024/25. There are a number of disclosure requirements which councils are required to make prior to implementation. The Council opted to adopt IFRS 16 voluntarily in 23/24. However, from our review of the accounts, this was not clearly disclosed in the financial statements and our review of the Council's working papers identified issues over completeness and accuracy of the information. Accounting Policies did not reflect the current adoption of IFRS 16 and disclosure requirements.
		We would recommend the Council, reverse its work on IFRS 16 and undertake a detailed review in 24-25, in the year, the CIPFA code expects all Local Authorities to implement the new accounting standards. In preparation for the audit of leases accounted for under IFRS 16 the Council may need to reviewed the following:
		• identified all leases within the public sector adaptation of IFRS 16 where they are a lessee (this includes peppercorn rentals)
		• identified all leases within the public sector adaptation of IFRS 16 where they are a lessor
		• identified all leases where they are an intermediate lessor and reassessed whether they are operating or finance leases using the period and value of the head lease rather than the life and value of the underlying asset in the assessment
		• the following information for each lease:
		  • unique reference
		  • location of lease documentation
		  • description and class of underlying asset
		  • initial cost of right of use asset, commencement date of lease
		  • expiry date, non-cancellable /enforceable term
		  • options to extend (when, cost, likelihood to be applied)
		  • options to terminate (when, cost, likelihood to be applied)
		  • payment pattern(e.g. advance /arrears, monthly /quarterly/ annual)
		  • residual value guarantee if any, initial direct costs
		  • lease incentive amount, upfront payments, estimate of rehabilitation costs (dilapidation provision)
		  • interest rate implicit in the lease / council incremental borrowing rate
		  • any non -lease components, rent review dates, lease modifications
		We recommend the Council reverses its 23-24 IFRS 16 entries and look to implement this in 2024-25 in line with most public sector bodies.
		Management response.
		We agree to the recommendations to add disclosure notes .

●	**Accounting for Pooled Investment Funds** As part of the review of the financial statements, we note the council had pooled investment funds and we requested management review the classification and accounting treatment of its investments.	**We recommend that the Council:** Management need to undertake a review of its pooled investment and consider the classification of the pooled investments as to whether they come under the scope of IFRS9. **Management response.** We agree to the recommendation, however it should be noted that since a decision by Council in October 2024, the Council has been drawing down its pooled funds with the majority of funds now closed with only fund (value of £2.5m currently showing a £370k valuation gain) likely to be still open at 31/3/24 before it is closed in summer of 2025. This will mitigate the impact of IFRS9 on the Council. Moving forwards, we will not have any pooled funds to review.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	**Group Accounts (Consolidation Process and Accounting Disclosures)** In our review of the Group Accounts, the Council's Group Accounts, we identified a number of weaknesses relating to the group consolidation process. We were provided with a basic spreadsheet of the council's group consolidation but no supporting evidence workings. In our review we noted: Errors noted within the Group Movement In Reserves Statement. Missing disclosure misstatements (missing material notes to the accounts, i.e EFA PPE Note, Investments, Receivables, Payables, and potentially provisions, unusable reserves)	**We recommend that the Council** Management should review and address the findings in our review of the 23/24 financial statements. These matters should be addressed prior to completion of the 24/25 financial statements, with responses shared with the auditors on expected treatment of each of the issues identified to avoid these issues being rolled forward into 25/26 financial statements unaddressed. This will facilitate a smooth and efficient audit group accounts preparation and audit process. We have set for this action to be addressed by March 2025. **Management response.** We agree to the recommendation. Chief Accountant will address in 2023-24 Draft Statement of Accounts by the end of February 2025.
●	**Group Accounts (Agreements and Accounting)** In our review of the Group Accounts, we requested management to provide us with a briefing paper which included the accounting treatment and supporting evidence (i.e. agreements in place between the council and its subsidiaries). We need to understand the relationships between the Council (as parent) and its components. In addition, briefing papers were also requested relating to the accounting treatment of the following: • Loans (long term and short term) advanced to its subsidiaries and how these are accounted for between the two components . • Asset disposed by the Council to its subsidiaries and how these are accounted for by both the Council and the subsidiaries. • Deferred Capital Receipts within the accounts of the council and how these are being accounted for. • Whether Minimum Revenue Provision is being extended to these assets and loans. There is a risk that transactions between the Council and its Subsidiaries are not being appropriately accounted for i.e. noting the substance of the transaction over form. There is a risk	**We recommend that the Council** Management should review our briefing paper and provide responses to our queries as to whether the Council has appropriately considered the accounting treatment of transactions between the Council and its subsidiaries including evidence to support the entries. There may potentially be complex arrangements and accounting considerations not being appropriately reflected within its agreements. We would prefer a set of responses to be provided to us by March 2025. **Management response** We agree to the recommendation (note the typo in the recommendation) to be completed by end of February 2025.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	Collection Fund (Business Rates and Council Tax) • During the audit, we were not provided with adequate working papers that reconciled the collection fund entries. This included an appropriate reconciliation between the General Ledger and the Academy System for the financial year 23/24. The Collection Fund entries should be reconciled to the appropriate reports from the system, and these entries should also be updated and reconciled to the General Ledger. There should also be a further reconciliation from the sub-system to the NNDR3 report. • In addition, we were unable to complete our review of the reliefs applied to business rates and council tax accounts. This information was not provided in a timely manner by council staff.	We recommend that the Council. We recommend that the Council undertake a review of its collection fund workings for 23/24 (and potentially prior years). There needs to be adequate reconciliation undertaken between the system and the general ledger and collection fund entries disclosed in the accounts. Collection Fund workings should follow, guidance as per the Code. In addition, we recommend, provide information pertaining to reliefs applied to accounts in a timely manner. Management response. The Council has taken steps to strengthen its Collection Fund Account monitoring bringing a sector expert who will support the in-house team on a one day a week basis during 2025, with a remit to improve monitoring, improve working papers and build internal expertise and resilience .

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	**Fixed Asset Register** A Fixed Asset Register (FAR) is a detailed list of all fixed assets which are owned by a business. Its main purpose is to enable an organisation to accurately record and maintain both financial and non-financial information pertaining to each asset. The FAR is supposed to be reconciled to the general ledger on an annual basis as part of the closed process and it is also used by the Council's valuer to undertake the annual valuation exercise. Several issues were identified in reviewing the council's property plant and equipment balance and investment properties in the FAR. • The layout and structure of the FAR was difficult to understand and the structure, and there were assets noted in the FAR with negative revaluation reserves. • Opening Reconciliations –our review of the opening FAR didn't reconcile to the accounts. A number of different versions of the FAR were provided during the audit. • Disposals – while no disposals were disclosed in the accounts, we identified some assets that were disposed in year and some assets that no longer exist. • Additions – we noted instances of revenue costs that had been capitalised that will require review. • Classification/Reclassification – we noted issues with classification of certain assets, and a lack of clarity over the purpose the Council were holding the assets which could impact the valuations undertaken. • Useful Asset Lives – the asset lives within the FAR drive the depreciation used by the council including potentially MRP. We had no assurance over the values.	**We recommend that the Council** Establish a process to perform and annual review of assets to ensure that all disposals and reclassifications are amended Establish an in-year process for capital movements to be notified on a timely basis to the finance team to ensure the fixed asset register is maintained accurately. This should be reconciled to the accounts as part of the year end closed own procedures. The Council should review its FAR and determine whether it is fit for purpose, and ensure its layout is appropriate. The FAR provided for audit was on spreadsheet, and therefore it was unclear what controls exist over the data (i.e. who can amend and change data). Council should review its FAR revaluation reserves and impairments and ensure those are appropriate and no negative Revaluations Reserves exist A regular process should be put in place for ensuring the FAR is kept up to date, including a process for updating for additions and disposals occurring during the year. Review the accounting treatment of properties bought on behalf of another party or parties or Asset Under Construction being built on behalf of another party and the business rationale (i.e. is it for service provision or investment income, surplus asset, or is it for specific purchase and sale or other reasons. **Management responses:** We agree to the recommendation. To assist in addressing improvements to the Fixed Assets Register the Finance team will revert to progressing, as a matter of urgency, the procurement and implementation of a Fixed Assets software.
●	**PPE & IP Revaluations** The Council has not had an audit for 5 years. We note from our review of the revaluations that some assets were not revalued in year, as management have made a judgement that assets below a certain threshold are not to be revalued every year. The requirements from the Code and Financial Reporting Council have increased over the last 5 years. Also, the Council needs to ensure it holds up to date floor areas for all its assets and any discrepancies are appropriately follow-up on and documented.	**We recommend that the Council** Following on from the above issue, undertake a full review of its assets in the FAR and confirm their existence (this work should be documented to enable audit trail and follow-up). In addition, we recommend the Council undertakes a full review of its assets in 24/25 for both the Council and Group assets (including reviewing and addressing our findings from our review of their valuations of Investment Properties and Property Plant and Equipment) to ensure these matters are appropriately addressed and to help facilitate timely report and an efficient audit. **Management responses:** We agree to the recommendation. To assist in addressing improvements to the Fixed Assets Register the Finance team will revert to progressing, as a matter of urgency, the procurement and implementation of a Fixed Assets software.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	**Receivables and Payables** While undertaking the substantive testing of debtors and creditors, we requested management to provide a detailed transaction listing for receivables and payables as at the balance sheet date. We were informed that this was not possible as, only the account code balances could be produced. Therefore, we had to select specific account balances from the listing of codes provided which is not in line with our audit approach and resulted in additional time and delays to our review. - There were balances within Debtors that had a credit balance and there were balances with Creditors that had a debit balance. It was unclear whether these balances are required to adjust relevant account balances or not but these were adjusted by management. - We noted differences between the sub-listings provided for the debtors and creditors and the relevant account code balances.	**We recommend that the Council** Perform review of the debtor and creditor account codes to ensure that balances are appropriate and valid and clear those that are not. As part of working papers provided to the audit team, debtors and creditors provided for audit should have a detailed transaction listing supported with clear audit trails to avoid delays. Establish a reconciliation process for all debtors and creditor accounts to ensure the balances are fully supported and valid debtors or creditors (removal of in year balances not impacting the closing balance) Account Codes should be reviewed and ensure they valid debtors and creditors at year end and appropriate reconciliations done to ensure the GL and Control Accounts reconcile. **Management response** We agree with the recommendations.
●	**Debtors Testing** • The Council has a significant number of commercial rents income. Our review of the lease incentives, noted that management only started accounting for lease incentives in 23/24 (no accounting had been in place in prior periods), which potentially means income in the prior period was not being smoothed out on a straight-line basis or in a systematic method as required by the standard IAS 17 and subsequently IFRS 16 in 24/25. Therefore, there is a risk that debtors is potentially materially misstated and we have no assurance or expected impact due to inadequate record keeping or tracking of income • In addition, our testing of receivables and payables testing, we understand, the council bills commercial rents in advance on a quarterly basis to commercial lease holders, one of the quarterly billing takes place in March. The Council uses Cushman and Wakefield's as its agent and there are scenarios whereby tenants may have paid Cushman &Wakefield for the following period that requires an adjustment to the tenants account, i.e. debtor being cleared and deferred income or liability being recognised. While the does adjust accounts at year end, this is based on when Cushman & Wakefield notifies the Council and the timing of those payments	**We recommend that the Council** The Council should undertake a detailed review and assessment of its commercial leases and appropriately adjust income in line with the requirement of the standard and corresponding debtor is reflected on the balance sheet through out the length of the lease. The Council needs to put in place robust arrangements at year end to ensure receivables or deferred income on the council's balance sheet is fairly stated and ensuring the Council's cash position is correctly adjusted for. **Management Comment** We agree with the recommendations.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	**Trade Payables.** In our review of creditors, we noted a balance that was unsupported relating to Covid-19 Grants potentially payable back to MHCLG, but no record keeping was provided to prove whether this was a payable or not (i.e. we would have expected a record of the grant provided and corresponding expenditure against the grant to arrive at the amount outstanding). This balance and other similar balances on the council's ledger will need to be reviewed. Management have proposed to adjust the payables balance upwards by £2.4m for debit balances that they've informed us should have been debtors. In addition, there were additional errors that required adjustments to the payables balances. We were unable to obtained assurance over the payables from our testing.	**We recommend the Council** In addition to the issue noted on working papers being inadequate. Arrangements should be put in place to review balances on the Council's general ledger that have been rolled forward for a number of years and ensure these are matched to subsequent payments or appropriately cleared. **Management response.** We agree with the recommendations
●	**Minimum Revenue Provision.** Based on our review of the MRP from the limited information we have been provided by officers and fact we have no background information or audited prior years, there is a risk that the council's MRP is understated as it currently charges 1% of its CFR against an industry benchmark of 2%. The annuity method defers the MRP charges towards the future, therefore, they will be greater charge or burden to the Council's General Fund, and particularly if benefits from assets acquired does not materialise as projected. We have seen recent examples within the public sector of council's who have not appropriately charged MRP and the associated financial challenges this creates.	**We recommend the Council** • Management provide a briefing paper to audit, including evidence of the advice and associated reports and information provided by their adviser (Arlingclose) historically and currently (at present) including management's review of the outputs, clearly setting-out their own judgement and rationale for the key assumptions and inputs. This analysis clearly document the MRP applied on an asset by asset level and why it deems this appropriate and prudent. • We recommend this information be shared with members, for them to be informed of the key judgements and assumptions management are making and overall impact to the financial sustainability of the Council. • A clear review of the asset lives adopted by the Council within its MRP calculations from a qualified professional and how these align to the Council's asset strategy and current MRP asset lives. • Undertake a sensitivity analysis of applying different inputs and assumptions to the MRP model and expected impact and provide explanations on why the current inputs/assumptions are appropriate. • Resolve the Fixed Asset Register issues noted in this report and inconsistencies in AUC – which are not being charged MRP as per the policies adopted. • Assess the impact of not currently AUC currently delayed or being disposed off (originally acquired via borrowing). • Assess the impact of not charging MRP for loans advanced to third parties and subsidiaries for capital purpose. • Provide the workings and any advice provided by Arlingclose on the over-provision applied in 21/22 being recovered in future years. • Consider reviewing and assessing the impact of the new MRP guidance that will come into effect from 1st April 2025. In addition to the MRP policies adopted by the council being shared with members on an annual basis, management should provide greater details for members on the key inputs and assumptions driving the MRP calculations for the Council and provide the profiling of expected General Fund impact for future years and income projections from associated investments underpinned by robust projections and assumptions.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	Minimum Revenue Provision. Based on our review of the MRP from the limited information we have been provided by officers and fact we have no background information or audited prior years, there is a risk that the council's MRP is understated as it currently charges 1% of its CFR against an industry benchmark of 2%. The annuity method defers the MRP charges towards the future, therefore, they will be greater charge or burden to the Council's General Fund, and particularly if benefits from assets acquired does not materialise as projected. We have seen recent examples within the public sector of council's who have not appropriately charged MRP and the associated financial challenges this creates.	Management Comment: • We agree to the recommendations- more information will be provide on MRP in future for councillors.. Given that the Council in line with one of the options under the guidance is using the annuity method and that the Council's debt was all taken out relatively recently mainly in the period 2016-18 it is not surprising that at this stage the annual MRP percentage is below 2% but under the annuity method it increases each year and ensures ultimately the full MRP is made. Whilst correct that MRP in future years will be greater at the same interest payments (particularly given rate of interest is fixed) will fall so the two elements broadly balance each other out. Arlingclose have been working with the Finance team to complete a MRP review.

C. Disclaimed balances

The following table highlights the areas within the core/primary statements that we have been able to review as part of 23-24 financial statements. We have RAG rated based on auditor judgement and noted in summary the issues identified. This is based on the errors identified in our work, the outstanding explanations, and absence of records, based on our experience as auditors.

Primary Statement					
Comprehensive Income and Expenditure Statement					
Financial Statement Line Item (Income)	**Status**	**Could be materiality misstated 2023/24**	**Could be materiality misstated in prior years**	**Supported by suitable audit working papers**	**Auditor Comments**
Commercial Rents	Red	Yes	Yes	No	• The Council has not been keeping adequate records on the accounting of operating leases income (as lessor). We understand that Council only put in place arrangements for accounting for lease incentives in 23/24. Therefore, we have no assurance over the income recognition and the impact of lease incentives has in 23/24 (prior period) and potentially future periods.
Government Grants (other grants, reimbursements and contributions)	Amber	Yes	Yes	No	We selected 23 samples in our testing of grants and we were unable to conclude our work at the time of drafting this report. • The Council receives a number of grants from central government and other bodies including contributions. As the council has not had an audit for a number of years, there is consideration over the accounting treatment of grants i.e. agent/principal. We were unable to determine whether the accounting of grants was appropriate • The Council had a number Community Infrastructure Levies and other Contributions credited to income in 23/24. We were unable to conclude on whether these CIL and other contributions were appropriately accounted for. • Our observation of the population of Other Grants and Reimbursements noted credits to Capitalised Salary Costs.
Fees and , Charges for Facilities (including service charges)	Amber	Yes	Yes	No	• We selected 14 samples in our testing of Fees and Charges for Facilities with 11/14 passing, 1/14 fail and 2/14 samples we were unable to conclude. • IFRS 15 – the Council needs to undertake an IFRS 15 review of income from fees and charges, etc (that does not fall within IFRS 16). • There were mapping issues noted within our testing (i.e. a Loan adjustment which resulted in a debit balance of £1.7m for sales) and IAS 19 adjustments (that should have been mapped to employee benefit expenses)
Council Tax & Business Rates Income	Red	Yes	Yes	No	• In our review of collection fund working papers, we were not provided with sufficient and adequate working papers for us to determine whether collection fund income credited to both CIES and Collection Fund (including the related entries) was materially stated. • Lack of adequate reconciliations between the General Ledger and Academy system.

Assessment

- [Red] We were unable to test all balances to gain assurance we can roll-forward and likely to be material misstatement within the balances
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

C. Disclaimed balances - Balance Sheet

Primary Statement					
Comprehensive Income and Expenditure Statement					
Financial Statement Line Item (Expenditure Sub-Category)	**Status**	**Could be materiality misstated 2023/24**	**Could be materiality misstated in prior years**	**Supported by suitable audit working papers**	**Auditor Comments**
Employee Costs	Green	No	No	Yes	No material issues noted from testing of payroll testing and other staff costs but we noted the following: • General Ledger and Payroll Reconciliation require improvement • Testing of additions and Assets Under Construction noted some pay/staff costs that appear to be revenue expenditure • Council appears to be crediting income and debiting PPE additions when adjusting for staff costs that are being capitalised (which), resulting in an overstatement of both income and expenditure disclosed in the accounts.
Housing Benefit Expenditure	Green	No	No	Yes	• No material issues noted from our substantive testing of Housing Benefit payments in year.
Other Operating Expenditure	Amber	Yes	Yes	No	• Mapping issues noted within the Income and Expenditure by Nature note which resulted in some expenditure categories having a credit to expenditure. • The transaction listing provided for audit, was inadequate and had a number of contras that had to be cleansed by audit. • Other issues we observed, in our review on PPE, was that the Council had a number of capitalised expenditure that appeared to be revenue in nature.
Capital Charges (Fair Value Movement of Investment Properties)	Red	Yes	Yes	No	• This represents the fair value movement in Investment Properties. We have no assurance over the accounting entry in the CIES due to the issues noted within our review of Investment Properties. • The accounting journal that relates to Capital Charges which we reviewed, had a number of material misstatements that we identified.
Interest Paid	Green	No	No	Yes	• We agreed the interest paid to the Borrowing repayments. However, we noted from our review of Property Plant and Equipment, that the Council was capitalising interest costs that appeared to relate to assets that have been suspended which is does not meet the requirements of the LG code.
Taxation	Amber	Yes	Yes	Yes	• This figure is made up of the Non Domestic Rate Tariff payment, and accounting code adjustment. We tested the latter and have noted it as an error relating to 21/22.

Assessment

- [Red] We were unable to test all balances to gain assurance we can roll-forward and likely to be material misstatement within the balances
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues//exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

C. Disclaimed balances - Balance Sheet

Primary Statement					
Balance Sheet					
Financial Statement Line Item	**Status**	**Could be materiality misstated 2023/24**	**Could be materiality misstated in prior years**	**Supported by suitable audit working papers**	**Auditor Comments**
Property Plant and Equipment	[Red]	Yes	Yes	No	• Significant weaknesses and issues noted within the Fixed Asset Register. • Assets not re-valued in 23/24 were material and no assessment undertaken by management by management at asset level • Weaknesses noted and issues noted with source data used for revaluations • Revaluation movement accounting entries were incorrect and the FAR had incorrect revaluation balances. • Material issues noted in adjusting for accumulated depreciation.
Investment Properties	[Red]	Yes	Yes	No	• Significant weaknesses and issues noted within the Fixed Asset Register. • Weaknesses noted and issues noted with source data used for revaluation and inconsistencies in valuer's report • Revaluation movement accounting entries had material misstatements noted
Long Term Investments	[Amber]	No	No	Yes	• All investment counterparty confirmations obtained as at 31st March 2024. • Balance of Investment Counter Confirmation obtained as at 31st March 2024. • Management's assessment of the impact of IFRS 9 and accounting treatment for the pooled investments council could not be obtained and reviewed at the time of the audit (therefore, no audit evidence to conclude)
Long Term Receivables	[Red]	Yes	Yes	No	• Lack of adequate working paper to support accounting treatment • Management's Briefing Paper on arrangements in place pertaining to Loans to Subsidiaries was not provided and reviewed by audit
Short Term Receivables	[Amber]	Yes	Yes	No	• Lack of sufficient working papers for short term receivables listings, with issues noted with sub-listings to support the short term receivable balances. • Significant weaknesses noted for lease incentives accounting and corresponding debtor position for commercial property income, no assurance over completeness and accuracy. • We were unable to conclude on a number of samples either due to lack of evidence or confirmation back to bank. • Completeness Testing: Selected 40 samples across receipts and invoices raised in March, April and May. We were unable to conclude all our testing.
Short Term Investments	[Amber]	N/A	N/A	N/A	• Balance was not tested in 23/24 as was not material, however, balance was £15.2m in 22/23, and this balance was disclaimed. No further audit procedures were performed.

Assessment

- [Red] We were unable to test all balances to gain assurance we can roll-forward and likely to be material misstatement within the balances
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

C. Disclaimed balances - Balance Sheet

Primary Statement					
Balance Sheet					
Financial Statement Line Item	**Status**	**Could be materiality misstated 2023/24**	**Could be materiality misstated in prior years**	**Supported by suitable audit working papers**	**Auditor Comments**
Cash and Cash Equivalent	[Red]	Yes	Yes	No	• The Council's Bank reconciliations processes was deemed inadequate • A number of bank accounts did not have a bank reconciliation back to the General ledger • It was unclear which bank accounts are aligned to which accounts in the General Ledger
Short Term Borrowing	[Green]	No	No	Yes	• Confirmed to PWLB Borrowing Schedule and Counter Party Confirmations from other local authorities.
Short Term Creditors	[Red]	Yes	Yes	No	• Lack of sufficient working papers for short term payables listings, with issues noted with sub-listings. • Weaknesses in how Rents billed at year end in advance that impacts both 23/24 and 24/25 are accounted for could potentially lead to material misstatements. • Errors on accounting for year end accruals noted in our testing. • We were unable to conclude our work on our completeness testing on expenditure/creditors.
Provisions	[Red]	Yes	Yes	No	• NNDR Business Rates for empty property was not included in provisions working estimated by management as £4m (understatement of balance) • Collection Fund Workings – due to issues noted on the collection fund it is the likely provisions for appeals within accounts is not fairly stated.
Long Term Borrowing	[Green]	No	No	Yes	• Long Term Borrowing agreed to PWLB schedule of workings. No material issues noted.
Long Term Liabilities	[Amber]	No	Yes	Yes	• We obtained the actuary report and agreed the disclosure to the Pension Liability in the accounts. • Reviewed the assumptions included in the actuary report.
Usable Reserves	[Red]	Yes	Yes	No	• We have no assurance the closing and opening balances of Usable Reserves in 23/24.
Unusable Reserves	[Red]	Yes	Yes	No	• We have no assurance the closing and opening balances of Usable Reserves in 23/24.

Assessment

- [Red] We were unable to test all balances to gain assurance we can roll-forward and likely to be material misstatement within the balances
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Summary of audit and issues identified.

Issue	Issue identified
Support Service Recharges	On review of the accounts, we noted in the Expenditure and Income analysed by nature note that the Support Services (Expenditure) figure had a credit balance of £7.8m. We deemed this was likely and error as usually we'd expect expenditure to have a debit balance. Upon raising this with management, they informed us that this was due to a subjective coding error between the different lines of the note. They have also agreed to amend the error. This doesn't impact the bottom line of the CIES.
Rental deposit classification	During our initial Payables methodology work, we asked for a listing of Payables that reconciled to Note 19, and each of the subcategories within that note. When the Council provided the workings, they highlighted to us that that £877k of rental deposits had been classified as 'General Payables' instead of 'Deposits' by mistake. This is a classification error not affecting the Payables bottom line.
IAS19 Costs	During our journals testing we selected 2 journals relating to IAS19 costs. Upon examining the double entry, we noted that these were incorrectly costs had been incorrectly coded (Debited) to 'Service Charges' Income, and not 'Employees benefit expenses'. They have also agreed to amend the error. This doesn't impact the bottom line of the CIES. The net value of this error was -£745k.
Purchase Ledger Control AC	During our initial Payables methodology work, we noticed that one of the Creditors Purchase Ledger Control Account (relating to Cushman & Wakefield), had a £171k Debit balance. This means they were owed money at year end and should have been reclassified to Receivables. However, there is no impact on the bottom line. As this was well below our performance materiality threshold we've not asked for this to be adjusted.
Sales Debit - Loan adjustment change	During our initial Fees & Charges income methodology work, we noted that the 'Sales' income figure in the Expenditure and Income analysed by nature note actually has a debit balance at year end. We deemed this to be unusual as normally income has a credit balance. Upon review of the listing we noted that this was due to one large debit entry that relates to a loan adjustment journal, relating to a loan balance between the Council and Knowle Green Estates. We're aren't sure what the appropriate accounting entries are for this transaction as we don't have enough information. However, we do believe that it should not have been coded to Sales income. The value of the adjustment was £2.6m.
Taxation	During our testing of taxation expenditure, we noted one item that related to an invoice received from Surrey County Council for the 21/22 SCC NDR pool (plus LG Futures admin fee). We raised this with the council, who explained that they had not expected this and therefore didn't accrue for it in the previous year, and instead recorded the expenditure in 23/24. The amount was £1.1m

D. Summary of audit and issues identified.

Issue	Description of Issue
Spelthorne Leisure Centre Adjustment	One Additions sample related to an invoice for PPE works on Spelthorne Leisure Centre as at that date and was calculated based on a recent interim valuation. As this information was not available at year-end an accrual had to be posted to ensure that the expenditure and addition were recorded in the correct year, which was based on estimate. When the actual invoice was subsequently received (with the correct figure) the net reduction in PPE was therefore £2,463,360 - £1,871,761 = £591,599. Therefore, the Property Plant and Equipment and Creditors opening balance were overstated by that amount.
Asset Classification	Summit Centre – This was incorrectly classified as Investment Property at year end. We understand that this should have been in Other Land & Buildings due to the fact it is partly used for service provision. This meant that the Investment Property balance could have been overstated by £11.3mill, however this was valued on the incorrect valuation basis, therefore, we cannot be certain of this. Investment Properties are valued on a Fair Value basis, well as Other Land & Buildings are normally valued on an EUV or DRC basis. This will impact the depreciation charge in year, as well as accounting entries to the CIES and Revaluation Reserves in year. We therefore have no assurance that the £11.3m valuation and any associated entries within the accounts. White House Hostel – This was incorrectly classified as Assets Under Construction at year end but was fully operational at that time and should therefore have been classified as Other Land & Buildings. The value of £0.2m is the historical cost, but this asset should have been considered by the Council valuer in their year end valuation process. Property Acquisitions – This was incorrectly classified as Assets Under Construction at year end but relates to in year additions of refugee housing which aren’t under construction. It would appear these should have been classified as Other Land & Buildings, However we understand the intention is to transfer these to Knowle Green Estates and therefore should either be classified as Inventory or Assets Held for Sale. The £6.4m is their value at cost, but depending on the classification this value is likely to have changes. At this stage we don’t have enough information to accurately conclude on this. Caesar Court (was Benwell House) – This was incorrectly classified as Assets Under Construction at year end (and therefore part of PPE), but upon investigation we learned that the asset was transferred to Knowle Green Estates pre-March 2024. The asset had a value of £18m. This means that PPE opening balance was overstated by that amount, and therefore the closing balance also. There are also some deferred capital receipts relating to this asset which are not sure have been appropriately accounted for. This will also affect the group as KGE are a subsidiary of the Council.
Land & Buildings Additions	In Note 11 (PPE), the Land & Buildings additions figure was -£51k. Upon investigation we noted that this was made up of 2 figures. Firstly, the Community Assets additions figure £265k. This should have been mapped to the Community Assets column. Secondly, there is also a -£316k figure coded to Land & Building additions (that related to Assets Under Construction land). This will require amendment from the council.
IT Assets	The original listing of IT assets provided by the client didn't agree to the Fixed Asset Register (FAR). Furthermore, the Council hadn't updated it since 18/19, so we requested them to correct the listing. The IT Assets balance presented in the FAR was therefore incorrect in terms of every input into the PPE Note (opening balance, additions, disposals, depreciation and closing balance).
Intangible Assets – Additions	During our review of the Fixed Asset Register we noted that there was an error in the way these balances had pulled through to the account. Firstly, these were double counted (included in both PPE and Intangible Assets), which would have resulted in a £40k overstatement of PPE. Secondly these figures per the original FAR/Accounts were inconsistent. The original figure for Intangible Asset addition in the FAR we was £40k, however the figure in Note 14 (Intangible Assets) was £218k.

D. Summary of audit and issues identified.

	Detail
Vehicles, plant & equipment – Depreciation	During our review of the Fixed Asset Register we noted that there was a difference between the Vehicles depreciation figure in the FAR (£179k) and the figure in the accounts/TB (£414k). The Council will have adjusted the accounts to bring it in line with the FAR.
Investment Property Revaluation Journal	The Council provided their Investment Property revaluation journal to evidence the revaluation movements posted to the General Ledger. It contained a “screenshot as evidence” which contained the calculations they did at the time to post the journal. This journal had incorrect values.
Staines Library & Museum	During our valuations testing for this asset we noted that the Council valuer made a typo when inputting the developed land area figure into their calculation. They input 0.1 hectares and it should have been 0.06. This would have increased the value of the asset by £300k.
Window dressing journal errors	At year end the Council post a series of adjustments to ensure that Receivable codes with credit balances, and Payable codes with debit balances are recorded correctly. We noted that the journal entries were posted the wrong way round (in terms of debits and credits). The net effect is Debtors and Creditors are both understated by £2.2m, but there is no impact on the Balance Sheet bottom line.
Accumulated depreciation reversed out of the General Fund	During our journals testing we noted one journal that was supposed to relate to the statutory adjustments for depreciation. Normally, depreciation (which pulls through to the General Fund at year end from the CIES) is reversed out into the Capital Adjustment Account. However, when were reviewed the workings for this journal, we could see the amount in question related to historic depreciation being reversed out upon valuation (increasing PPE). This doesn’t affect the CIES, and therefore this entry is overstating the General Fund.
MHCLG Covid-19 Grant	During our initial Payables methodology work, we noticed one balance of £2.9m that appeared to be a historic balance rolled forward relating to Covid-19 . Grants for businesses that had been unused and were therefore, repayable back to the Government. The Council were unable to provide any evidence to support this figure and believe that it was no longer outstanding. We have insufficient information to conclude on the correct accounting treatment for this and the council will review this balance in 24/25
Police & Crime Commissioners Elections	During our testing of the above adjustment, we noted that it had missed this account code (relating to Police & Crime Commissioner election) by mistake. This was being shown as a credit in Receivables and needed to be moved to Payables. The net effect is Receivables and Payables are both understated by £216k, but there is no impact on the Balance Sheet bottom line.
Year end Accruals	During our accruals sample testing we identified a few accruals which the client were unable to provide supporting evidence for, or the basis of the accrual was not appropriate. We have extrapolated these errors over the remaining accrual balance, which amounts to £219k. In addition, during our testing of high value of accruals, we have noted an error of £250k, relating to an accrual we believe should have been be written off.
General Debtors	During our receivables sample testing we identified 1 sample which we were unable to obtain supporting evidence for. We also identified another error relating to rental income in received in advance, for which the Council created a creditor for 24 months of rent payable under a scheme and at year end a debtors is debited with the amount that pertains to 2024/25. This results in net balance sheet position to be correct but the debtors and creditors are overstated. The best estimate/extrapolated error amount is £635k.
Special Debtors	During our Receivables testing we noted two classification errors relating to capital & revenue grants unapplied, which were incorrectly classified as Receivables at year end. This should be classified as capital grants unapplied and revenue grants should be transferred to reserves. The extrapolated error amount is £361k.

D. Summary of audit and disclosure issues identified.

Disclosure Notes	
Subsidiary Companies – Note 36	We have noted a number of inconsistencies between this note and the subsidiary accounts themselves. For Spelthorne Direct Services Ltd, the profit for the financial year 23/24 figure is £39k in their draft accounts. In Spelthorne's Note 36 it has been disclosed as £55k. For Knowle Green Estates Ltd (KGE), there is also an inconsistency between the 'total comprehensive expenditure' figure for the year in Note 36 (£433k). In KGE's draft accounts they are showing a 'total comprehensive income' figure of £1,237k.
Accounting Policies – Note 1	We've noted a few issues with this disclosure at different stages of our work, but some of the main ones are as follows: • Note 1.9.5 requires additional policy disclosure for financial instruments designated as fair value through other comprehensive income (FVOCI). • The CIPFA Code requires Note 1 sets out Useful Economic Lives applied in relation to depreciation. • This note does not set out an accounting policy for Leases and IFRS16.
Assumptions made about the future and other major sources of estimation uncertainty – Note 5	This note, pertaining to Property Plant and Equipment and Investment Properties, did not meet the requirements of IAS 1. This should detail the most significant inputs and assumptions over the next 12 months that could impact the valuation of these properties materially (whether downward or upwards).
Critical judgements – Note 3	This note disclosure did not meet the definition of critical judgements (in relation to applying accounting policies). We recommend that while preparing their critical judgements for 24/25, the Council ensure that these meet the requirements of IAS1.
Transfers to and from Earmarked Reserves – Note 8	Note 8 is missing comparatives. The CIPFA Code requires that each note to the financial statements that provides detailed analysis or breakdown of figures presented in the primary statements must include comparative figures for the prior period. Note 8 supports the Movement in Reserves Statement (MIRS), which is a primary financial statement requiring comparative information.
Expenditure and Funding Analysis	In the EFA, the 'As reported to Council' and 'Adjustments to arrive at report to Council' columns have no figures in them. There were no adjustments presented in the draft accounts and will need to be amended. The EFA also does not reconcile to the General Fund as a whole (including Earmarked Reserves).

D. Summary of audit and disclosure issues identified.

Disclosure/issue/Omission	Auditor recommendations
Related Parties – Note 29	Section 3.9.4 of the CIPFA Code requires this note to include information in respect of transactions (if material) with related parties, not disclosed elsewhere, including: • the description of the nature of the related party relationships • the amount of transactions that have occurred, and • the amount of outstanding balances. However, in this note none have been disclosed.
Investment Properties – Note 13	Along with our findings on the Fixed Asset Register and related transactions, we also noted a few disclosure errors for Note 13 (Investment Properties). The disclosures relating to Investment Properties in this note do not comply with requirements of the CIPFA Code (Section 2.10.4), which have several omissions including the following: • The Fair Value Hierarchy assessment for Investment Properties and Surplus Assets including • Valuation Techniques to determine any level three fair values (if applicable and noted by the valuer) • Measurement of fair value of non-financial assets • Quantitative Information about the fair value measurement of non-current assets using significant unobservable Inputs – level 3 (if applicable) • Reconciliation of Fair Value Measurements (using significant unobservable inputs), categorised within level 3
Property, Plant & Equipment – Note 11	Along with our findings on the Fixed Asset Register and related transactions, we also noted a few disclosure errors for Note 11 (PPE). Firstly, relating to the Assets Not Revalued Disclosure. This assessment and disclosure is required by paragraph 4.1.4.3 4) of the Code. 'The requirement for the effective date of valuations to be disclosed means that the total revalued amount will need to be analysed across each of the preceding financial years where a rolling programme of revaluations has been used.' This can also be seen on page 398 of the Guidance Notes. The council haven't produced this reconciliation which normally forms part of the PPE note. Secondly, relating to their disclosures around depreciation. Paragraph 4.1.4.3 of the CIPFA Code requites authorities to disclose the useful lives or the depreciation rates used in relation to property, plant and equipment.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Proposed Final fee
Scale fee	£205,556	£205,556
ISA 315	£7,530	£9,530
Use of expert External Valuer	£10,000 (fixed + variable element)	£19,000
Total audit fees (excluding VAT)	**£223,086**	**£234,086 (to be confirmed on conclusion of our audit work, as there may be further fee variations required in closing the audit)**

The proposed final fee is subject to Public Sector Audit Appointment agreement and approval. If we do issue statutory recommendations this will also incur a fee variation.

E. Fees and non-audit services

In November 2024, the Council were engaging with GT to appoint our Grants Assurance Team to perform the DWP Subsidy grant audit for the 2023/24 claim form. The fee detailed below is the proposed fee, subject to final letter of engagement.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services: Housing Benefit Subsidy Report	39,595	£tbc
Total non-audit fees (excluding VAT)	**£39,595**	**£tbc**

The fees reconcile to the financial statements. The fee disclosed in the Financial Statements was the fee as per our proposed audit plan of £223k. However, there was a fee variation due to our engagement of auditors expert on the Council's Valuation of Property Plant and Equipment and Investment Property at the final accounts stage disclosed on Page 67. The fee in the draft accounts did not include the proposed fee on the Housing Benefit Subsidy Report certification.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments.

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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