

# Audit Findings Report for Elmbridge Borough Council

**Year ended 31 March 2023**

Elmbridge Borough Council  
March 2024



# Contents



## Your key Grant Thornton team members are:

### Paul Cuttle

Key Audit Partner

T +44 (0)20 7728 2450

E [Paul.Cuttle@uk.gt.com](mailto:Paul.Cuttle@uk.gt.com)

### Tafadzwa Nembaware

Audit Manager

T +44 (0)20 7728 3374

E [Tafadzwa.Nembaware@uk.gt.com](mailto:Tafadzwa.Nembaware@uk.gt.com)

## Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

## Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Audit Adjustments](#)
- C. [Fees](#)
- D. [Auditing Developments](#)

## Page

- 3  
6  
19  
20  
  
23  
24  
26  
27

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

This Audit Findings 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. Its contents will be discussed with management and the Audit & Standards Committee.

Name: Paul Cuttle  
For Grant Thornton UK LLP  
March 2024

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 1. Headlines

---

This table summarises the key findings and other matters arising from the statutory audit of Elmbridge Borough Council ('the Council') and the preparation of Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

---

## Financial Statements

---

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- Council's financial statements give a true and fair view of the financial position of and Council and 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), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

---

Our findings are summarised on pages 6 to 19. There are no matters of which we are aware that require modification of our audit opinion.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of the Council and the financial statements we have audited.

Our financial statements audit report opinion will be unmodified.

---

# 1. Headlines

---

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are 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 Auditor's Annual Report is complete and presented alongside this report. We have not identified any indications of weaknesses in arrangements to secure economy, efficiency and effectiveness in its use of resources.

---

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We will certify the completion of the audit upon completion of our financial statements audit.

---

## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

---

---

# 1. Headlines

---

## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to ensure effective progress being made for the completion of the 2022-23 audit work. Over the course of this period the audit team has worked constructively with the finance team to ensure any pending queries are appropriately resolved.

---

## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

---

# 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 will be discussed with management and the Audit & Standards Committee.

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

## Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

Our audit work is completed, and we are issuing an unqualified opinion.

# 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.

	Amount (£)
Materiality for the financial statements	£2,400,000
Performance materiality	£1,800,000
Trivial matters	£120,000



---

# 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
<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>From our audit work performed, we have:</p> <ul style="list-style-type: none"><li>• Evaluated the design effectiveness of management controls over journals;</li><li>• Analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li><li>• Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li><li>• Obtained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and</li><li>• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul> <p>From our assessment, we found accounting estimates and critical judgements applied by management to be reasonable. There were no changes in accounting policies and we received sufficient and appropriate evidence for significant unusual transactions within our substantive testing.</p>

---

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

### ISA240 fraudulent revenue recognition - rebutted

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

## Commentary

For revenue streams that are derived from Council Tax, Business Rates and Grants we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula based income from central government and tax payers and that opportunities to manipulate the recognition of these income streams is very limited.

For other revenue streams, we have determined from our experience as your auditor and through our understanding of your business processes around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited;

We have not identified any significant issues in respect of revenue recognition that we wish to communicate here.

### Risk of fraud related to expenditure recognition (completeness) PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

We have rebutted this risk and therefore do not consider this a significant risk.

No circumstances have subsequently arisen during the course of the audit process which lead us to amend our initial assessment as reported in the Audit Plan.

Notwithstanding that we did not consider there to be a material fraud risk, we have tested all the material expenditure streams of the Council.

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

### Valuation of land and buildings

The Council revalues operational land and building on a rolling five yearly basis to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statement date.

The valuation represents a significant estimate in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Commentary

From our audit work performed, we have:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work;
- Evaluated the competence, capabilities and objectivity of the valuation expert;
- Written 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, the valuer's report and the assumptions that underpin the valuation;
- 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.

We have noted a variance of £210,000 between the carrying value of other land and buildings in the fixed asset register and the value in the valuation report from management's expert (Bruton Knowles). This indicates that the other land and buildings in the financial statements are understated by an amount above our trivial threshold, however below our overall materiality.

We have also noted a variance of £546,000 between the value of assets not revalued during the year, and the expected value of these assets having applied publicly available indices. This indicates that other land and buildings in the financial statements are understated by an amount above our trivial threshold, however below our overall materiality.

The cumulative impact of the issues above is an understatement of £756,000. This is below our overall materiality and does not impact our audit report. We have further reported the unadjusted misstatements on page 24 of this report.

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£16.258m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net pension liability.

We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation (we will reconsider this if it becomes apparent there are significant special events relating to the source data such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite source data not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.

## Commentary

From our audit work performed, we have:

- 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 Authority 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;
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and

We have not identified any significant issues that we wish to communicate here.

# 2. Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of land and building, including investment properties	<p>Other land and buildings revalued comprises £53.4m of specialised assets which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£55.3m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Bruton Knowles to complete the valuation of properties as at 31 March 2023 on a cyclical basis. 77% of total assets were revalued during 2022/23.</p> <p>The Council's investment property has a value of £91.6m as at 31 March 2023. All Investment properties have been valued at fair value at year end.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £5.2m for other land and buildings and a net decrease of £8.8m for investment properties. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 1 April 2022, considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties.</p> <p>Management's assessment of assets not revalued has identified no material change to property's value.</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> <li>We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.</li> <li>We have reviewed the completeness and accuracy of the underlying information used to determine the valuation. This included testing accuracy of floor areas plans provided to the valuer; querying yield percentages used by the valuer against comparable market evidence. For investment properties we reviewed the completeness and accuracy of rental income information, and the reasonableness of yield percentages applied in calculating the fair value. We have also assessed the appropriateness of the valuation method, the type of inspection performed, the assumptions made in respect of obsolescence and any assumptions made in respect of local factors;</li> <li>We have considered the movements in the valuations of individual assets and their consistency with indices.</li> <li>We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements.</li> <li>Disclosure of the estimate in the financial statements is considered adequate.</li> <li>We reviewed assets not revalued during the year worth £11.85 million against market data and found management's assessment of the carrying values to be reasonable.</li> </ul> <p>We have identified unadjusted understatements with a cumulative total of £756,000 which is above our trivial threshold and below our overall materiality. The unadjusted understatements do not impact our auditor's report and are further reported on page 24 of this report.</p>	Grey

### Assessment

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

# 2. Key judgements and estimates

## Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Net pension liability – £16.258m

The Council's net pension liability at 31 March 2023 is £16.258m (PY £60.3m) comprising the Surrey County Council Pension Fund. The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £48.6m net actuarial gain during 2022/23.

- We assessed management's actuarial expert and concluded they are competent, capable and objective in producing the estimate;
- We are awaiting assurances from the auditor of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements;
- We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable
- The auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below all assumptions were within the expected range and were therefore considered reasonable.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.75%	4.75%	Considered Reasonable
Pension increase rate	3.00%	2.95%-3.00%	Considered Reasonable
Salary growth	4.00%	2.95%-4.00%	Considered Reasonable

- We assessed auditor's expert response in relation to life expectancy and deemed it to be reasonable. The commentary from auditor's expert is "Figures within the IAS19 results schedule may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies."
- In our review and testing of the methods and assumptions underlying the estimate we have particularly focused on any changes year on year to assess and challenge whether this is reasonable.

Our audit work has not identified any issues in respect of this estimate.

Light purple

# 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Assessment
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Efinancials	ITGC Design assessment	●	●	●	●	No risk identified
Adelante	ITGC Design assessment	●	●	●	●	No risk identified
iTrent	ITGC Design assessment	●	●	●	●	No risk identified

### Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

---

# 2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

<b>Significant matter</b>	<b>Commentary</b>	<b>Auditor view and management response</b>
During the audit, national news headlines reported that many Local Authorities had Reinforced Autoclaved Aerated Concrete (RAAC) within their buildings. RAAC is a lightweight form of concrete used in roof, floor, cladding and wall construction in the UK from the mid-1950s to the mid-1980s. The limited durability of RAAC roofs and other RAAC structures has long been recognised; however recent experience indicates that the problem may be more serious than previously appreciated and that many building owners are not aware that it is present in their property. RAAC has been found in a wide range of buildings including schools.	The Council's surveys have not identified any assets having RAAC.	We have reviewed managements approach and we are satisfied that the Council continue to follow government guidelines at this stage there is no evidence of material impairment of assets due to RAAC.

---

## 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 & Standards Committee. We have not been made aware of any other incidents in the period and no other material issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted and the requests were sent. We have received confirmations responses and we have no issues to report in this regard.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review so far found no material omissions in the financial statements other than those disclosed in Appendix B – Audit Adjustments..

# 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	<p>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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"><li>• 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</li><li>• 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.</li></ul> <p>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 &amp; meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"><li>• the nature of the Council and the environment in which it operates</li><li>• the Council's financial reporting framework</li><li>• the Council's system of internal control for identifying events or conditions relevant to going concern</li><li>• management's going concern assessment.</li></ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"><li>• a material uncertainty related to going concern has not been identified</li><li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>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 and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>Note that work is not required as the Council does not exceed the threshold</p>
Certification of the closure of the audit	<p>We will certify the audit under completion of our financial statements work. Our work in relation to VFM is complete.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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

Our Auditor's Annual Report is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses from our work.

# 4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix C.

## 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](#).

## 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 following non-audit services were identified:

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefits 22/23	£43k fixed and variable element depending on errors found in testing. The work is outstanding.	Self-Interest (because this is a recurring fee)  Self-Interest (because GT provides audit services)	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 lower than the total proposed fee for the audit 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.  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.

# 4. Independence and ethics

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

<b>Matter</b>	<b>Conclusion</b>
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with or investments in 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 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 Council.
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, the Council, 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.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Audit Adjustments
- C. Fees
- D. Auditing developments

# 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 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. Audit Adjustments and recommendations



## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Dr. Other land and buildings		210	-	-	Not material
Cr. Surplus on Revaluation of Property, Plant and Equipment Assets	(210)				
<b><u>Understated assets</u></b>					
Being understatement of assets in the fixed asset register when compared to assets in the valuation report.					
Dr. Other land and buildings		546	-	-	Not material
Cr. Surplus on Revaluation of Property, Plant and Equipment Assets	(546)				
<b><u>Understated assets</u></b>					
Being understatement of assets not revalued during the year.					
Dr. Net pension liability		(284)	-	-	Not material
Cr. Re-measurement of net defined pension liability	284				
<b><u>Overstated pension assets</u></b>					
Being overstatement of pension assets.					

# B. Audit Adjustments and Recommendations

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

## Impact of adjusted misstatements

We have not identified any adjusted misstatements which we are required to report to those charged with governance.

## Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
The Note 40.5 Impact on the Authority's Cashflows includes incorrect Comparative figure for 2021/22 regarding weighted average duration of the defined benefit obligation for scheme members. The correct number is 19 years as per the IAS 19 Actuary report.	Audit adjustment proposed to correct error in Note 40.5. <b>Management response</b> Agreed to amend.	Y
Note 28 Expenditure and Funding analysis reflects incorrect figure for Business Tariff and Other service expenditure. The correct figure is £23,493k for Business tariffs and £23,890k for the Other service expenditure respectively	Audit adjustment proposed to correct error in Note 28. <b>Management response</b> Agreed to amend.	Y
We identified in Note 33 Grant income that one of the income line item was shown as positive figure which reflect it as expenditure. This resulted in casting error for the total amount of Grant income within in the Note 33.	Audit adjustment proposed to correct error in Note 33. <b>Management response</b> Agreed to amend.	Y
Note 43.2 Liquidity risk provides maturity analysis of the borrowings. The maturity analysis disclose incorrect amount against the categories "Between five and fifteen years" and "More than fifteen years". The correct amount is £9,394k and £37,394k for "Between five and fifteen years" and for "More than fifteen years" respectively.	Audit adjustment proposed to correct error in Note 43.2. <b>Management response</b> Agreed to amend.	Y
Note 32 Audit Fees, the fee disclosed does not agree with the Audit fee communicated in the Audit Plan. The Audit Fee communicated in Audit Plan amounts to £65,613k.	Audit adjustment proposed to correct error in Note 32. <b>Management response</b> Agreed to amend.	Y

# C. Fees

We confirm below our fees charged/proposed for the audit and provision of non-audit services. Note that the final fee is subject to approval from the PSAA and no subsequent issue arising that require additional audit work.

	<b>Proposed fee 2022/23</b>
Scale fee published by PSAA	£46,863
Changes from 2020/21 onwards (journals and ISA540 - £3,000 and £2,500)	£5,500
Value for Money work	£9,000
New ISA315 from 2023	£3,000
Other changes arising from regulatory feedback (payroll testing and Collection Fund relief testing - £500 and £750)	£1,250
<b>Total audit fees (excluding VAT)</b>	<b>£65,613</b>

# D. 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: <ul style="list-style-type: none"><li>• the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li><li>• the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li><li>• the controls for which design and implementation needs to be assess and how that impacts sampling</li><li>• the considerations for using automated tools and techniques.</li></ul>
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: <ul style="list-style-type: none"><li>• increased emphasis on the exercise of professional judgement and professional scepticism</li><li>• an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li><li>• increased guidance on management and auditor bias</li><li>• additional focus on the authenticity of information used as audit evidence</li><li>• a focus on response to inquiries that appear implausible</li></ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both 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 auditor. <ul style="list-style-type: none"><li>• Consideration is also being given to the potential impacts on confidentiality and independence.</li></ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"><li>• clarification of the requirements relating to understanding fraud risk factors</li><li>• additional communications with management or those charged with governance</li></ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

