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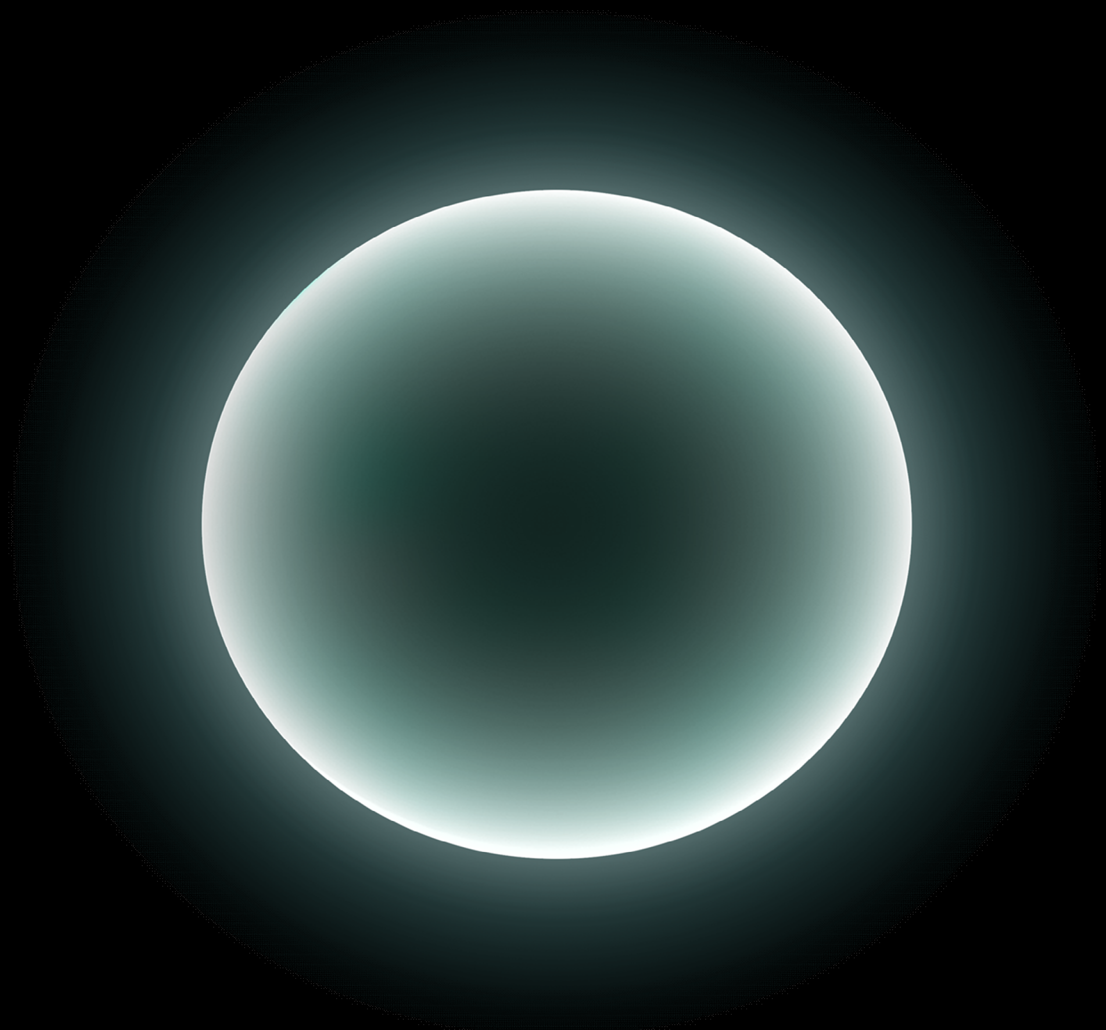

Tandridge District Council

Report to the Audit & Scrutiny Committee on the 2020/21 audit

Issued on 27 March 2023 for the meeting on 4 April 2023

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our report to the Audit & Scrutiny Committee of Tandridge District Council (the Council) for the 2020/21 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2021.

Status of our Statement of Accounts audit

Our audit is materially completed but remains ongoing as at the date of this report subject to following few open items:

- value for money;
- updated financial statements after addressing comments raised during the audit;
- finalization of review process in certain areas including creditors and testing on some disclosure notes;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2021 through to signing.

We have included a section in this report providing a summary of the risks, planned procedures and any issues to date arising from the work on the areas of significant risk and other areas of audit focus.

Status of our Value for Money audit

Our work in this respect is still ongoing as we are awaiting information from the council, however, we expect to report a number of significant weaknesses in the arrangements to secure value for money. We will finalise our findings in our draft report in due course, however, we anticipate reporting weaknesses in the following areas within our audit opinion:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services. In particular, we note from our discussions with management that at the beginning of the period there were weaknesses in management's understanding of overspend compared to budget and deviations from plan were not reliably understood. In addition to the issues identified with budget monitoring, there are weaknesses in how the body approaches and carries out its annual budget setting process which resulted in an unplanned and unmitigated cost pressure of £920,500 in the year.
- Governance: how the body ensures that it makes informed decisions and properly manages its risks. In particular, the opinion of the Council's Head of Internal Audit is that only 'limited' assurance can be placed on the framework of governance risk and control. These issues provide evidence of weaknesses in proper arrangements for managing risks effectively and maintaining a sound system of internal control. Throughout the period, the Council has continued to implement its action plan in response to the findings of the Centre for Public Scrutiny Governance report received in the year. Whilst we acknowledge progress has been made, there were significant weaknesses in governance arrangements during the year under audit.

Introduction

The key messages in this report (continued)

Conclusions from our testing	• We have not identified any material audit adjustments or disclosure deficiencies to date which can cause us to modify our opinion, however, we have noted some misstatements and disclosure deficiencies which cumulatively does not exceed our materiality level and, therefore, does not affect our opinion. These deficiencies and misstatements are reported under audit adjustment appendix on page 33 and 34. • In summary, we are expecting to issue the unqualified opinion in respect of the statement of accounts and in respect of value for money (VFM) we are expecting to issue opinion with identified significant weaknesses, refer the detail in VFM section under this report. In addition, our audit opinion will include an emphasis of matter paragraph in relation to the valuation of certain property assets over which your valuer reported a material uncertainty.
Narrative Report & Annual Governance Statement	• We have reviewed the Council's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • We have made recommendations for some changes to the narrative statement and annual governance statement and which are updated by the management.
Duties as public auditor	• We did not receive any queries or objections from local electors this year. • We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Whole of Government Accounts	• The Council is not a sampled component for WGA reporting.

Responsibilities of the Audit & Scrutiny Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit & Scrutiny Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

We use this symbol to highlight areas of our audit where the Audit & Scrutiny Committee needs to focus attention.

As a result of regulatory change in recent years, the role of the Audit & Scrutiny Committee has significantly expanded. We set out here a summary of the core areas of Audit & Scrutiny Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit & Scrutiny Committee in fulfilling its remit.

Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

Integrity of reporting

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, provide advice in respect of the fair, balanced and understandable statement.

Internal controls and risks

- Review the internal control and risk management systems (unless expressly addressed by separate board risk committee).
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

- Monitor and review the effectiveness of the internal audit activities.

Whistle blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This page summarises some key metrics which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Further detail
Adherence to deliverables timetable	!	There have been challenges throughout the audit in this regard which have caused delays in the finalisation of the audit. Management have been competent and engaged however we have experienced delays in receipt of responses to some audit requests throughout the audit period. We have checked the Connect in relation to the timeliness of information. The average overdue days reflected by the Connect is 46, which shows that it took on average 46 days to get to the requested information. We note that more recently, management have significantly improved the timeliness of their responses to these requests. We have scheduled biweekly calls between our team and the council throughout the audit and increased these to daily over the last few months to drive completion, which has ensured that audit requests are being discussed on a timely basis to ensure any issues are resolved on a timely basis.
Access to finance team and other key personnel		We are communicating daily with the finance team.

! Lagging ! Developing Mature

Quality indicators (continued)

Area	Grading	Further detail
Quality of draft financial statements	!	We note that much of the narrative in the draft accounts has not been updated to reflect the passage of time between their first drafting and our anticipated date of signing. We have recommended that management update the text which they have done. Whilst the draft accounts were of a reasonable quality, many of our comments/queries were not responded to within a reasonable timeframe with some unaddressed for over a year. We note that more recently, management have significantly improved the timeliness of their responses to findings raised on the draft financial statements. We further noted that cash and cash equivalents were not included in the financial instruments disclosures and loss allowance was included with incorrect amount in current and prior year and therefore, we request those changes in both year. This has resulted in PY disclosures being restated to include the cash and cash equivalents and correct amount of loss allowance.
Response to control deficiencies identified	!	We noted that management has challenged us and after discussion, agreed with communicated control deficiencies. Based on the discussion, management will work to improve their control environment based on our recommendation going forward.
Volume and magnitude of identified errors	!	Although we have noted few delays in information flow due to change of management staff, but we have not noted cumulatively the material misstatements which can cause us to modify the opinion. All errors noted, which cumulatively are below our materiality threshold are reported in audit adjustment appendix to this report on page 33 and 34..
Timing of key accounting judgements	●	Key accounting judgements are provided with the draft financial statements timely.

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Our audit explained

We tailor our audit to your organisation and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your operations and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks and our Value for Money work, we are required to report to you our observations on the internal control environment as well as any other findings from the audit.

Determine materiality

The materiality calculation reflecting final figures resulted in a group materiality of £1.16m, group performance materiality of £0.81m and a clearly trivial threshold for reporting misstatements to you of £58k.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report. We have identified an additional significant risk relating to covid grants.

Conclude on significant risk areas

We draw to the Audit & Scrutiny Committee's attention our conclusions on the significant audit risks. In particular the Audit Committee must satisfy themselves that management's judgements are appropriate.

Our audit report

Based on the current status of our audit work, we envisage issuing an unmodified audit report.

Significant Risks and Areas of Audit Focus

Dashboard

Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations based on work to date	Page no.
Significant risks						
Valuation of property assets	✓	✗	DI	Deficiencies noted		10
Completeness of liabilities and expenditure	✓	✓	DI	Satisfactory		11
Recognition of COVID-19 grant income	✓	✓	DI	Deficiencies noted		12
Management override of controls	✓	✓	DI	Deficiencies noted		13
Area of Audit Focus						
Pension liability valuation	✓	✗	✗	N/A		15

Significant audit risks and areas of audit focus

Valuation of property assets

Risk identified	The Council is required to hold property assets within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value. The Council held £376.7m of property assets at 31 March 2021, a increase of £10.4m, when compared to 31 March 2020. The Council updates the valuation of its properties using a rolling revaluation programme. The effective date of this valuation was 31 December 2020. For Investment Properties, the Council instructs its valuer to perform a full revaluation on an annual basis as at 31 December with a review of index movements to year end.
Deloitte response and challenge	We have completed the following procedures: • We reviewed the design and implementation of the controls in place in relation to property valuations; • We considered the work performed by the Council’s valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • We engaged our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council’s property; • We sample tested key asset information used by the Council’s valuers in performing their valuation, such as gross internal areas, back to supporting documentation; • We reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; • We reviewed the management assessment of the valuation movements between 31 Dec 2022 and 31 Mar 2021; • We considered the impact of Covid-19 on the valuation of property assets and ensured, where necessary, the Council has reflected the impact in their valuations; and • We reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.
Conclusion	We have concluded on the work and, based on the procedures performed, we are satisfied that valuation of property assets are not materially misstated. However, we will include an emphasis of matter paragraph in relation to the valuation of certain property assets over which your valuer reported a material uncertainty. In addition, we have noted some errors and control recommendation, which are explained in the audit adjustment (page 33) and control environment sections (page 20, 22 and 23).

Significant audit risks and areas of audit focus (continued)

Completeness of liabilities and expenditure

Risk identified	Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. At the planning stage, we expected to rebut the risk of fraud in revenue recognition (please note, we subsequently reinstated a revenue recognition risk in relation to the accounting for Covid-19 grants which is documented on page 12). We identified a fraud risk within the completeness of expenditure and completeness and valuation of accruals. For 2020/21, the current approved budget Council was for net expenditure of £11.3m. Given the Council's current budget position and the cost pressures across the sector, there is a risk that the year end position could be manipulated by omitting or understating accruals. There is also a heightened risk of costs being omitted due to the ongoing impact on ways of working at the council and in suppliers and in light of the extremely challenging financial position at the council. This page addresses this identified risk, however, at the final audit, we identified accounting for covid grants as an additional audit risk within the revenue balance. This is reported to you on page 12.
Deloitte response and challenge	We have completed the following procedures: • We obtained an understanding of and tested the design and implementation of the key controls in place in relation to completeness of expenditure and accruals; • We performed the testing for unrecorded liabilities based on payments made and expenses recorded in the period after year end to the end of June; and • In addition, we have reviewed significant movements in accruals year on year and evaluated for consistency with our understanding of the Council and, where considered appropriate, corroborated the reason for movement to supporting information.
Conclusion	We are finalizing our review around the work performed and, we are not expecting that completeness of liabilities and expenditure will be materially misstated, at this stage.

Significant risks and areas of audit focus (continued)

Recognition of Covid-19 grant income

Risk identified	ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. We have assessed the income streams of the Council, the complexity of the recognition principles and the extent of any estimates used, and concluded that, with the exception of the funding received in 2020/21 in response to the Covid-19 pandemic, there is no significant risk of fraud. During 2020/21, the Council has received additional funding in relation to Covid-19 grants. In addition, there are a number of business support schemes designed to help eligible businesses during the Covid-19 pandemic that are being administered by Councils on behalf of Central Government. We have pinpointed the significant risk to the completeness and accuracy of the agency arrangement disclosures, where the Council has acted as an agent on behalf of Central Government in administering Covid-19 grants. The key judgement for management is assessing whether the Council is acting as a principal or agent in administering the Covid-19 schemes, and how this is subsequently recognised in both the Comprehensive Income and Expenditure Statement and Balance Sheet.

Deloitte response and challenge	We have completed the following procedures:
	• Assessed the design and implementation of the controls in relation to the accounting treatment of all COVID-19 related funding;
	• We reviewed the accounting treatment of each significant grant claim and challenged the appropriateness of the approach adopted.
	• Tested a sample of funding for Covid-19 grants and confirmed these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet;
	• Considered the adequacy of disclosures in the financial statements, including accounting policies;
	• Tested the agency arrangement disclosures to confirm, where it is concluded that the Council is acting as an agent, that:
	    • Transactions have been excluded from the Comprehensive Income and Expenditure Statement;
	    • The Balance Sheet reflects the debtor or creditor position at 31 March 2021 in respect of cash collected or expenditure incurred on behalf of the principal; and
	    • The net cash position at 31 March 2021 is included in the financing activities in the Cash Flow Statement.

Conclusion	We have concluded on the work and, based on the procedures performed, we are satisfied that Covid-19 grant income are not materially misstated.

Significant audit risks and areas of audit focus (continued)

Management override of controls

Risk identified	There is a presumed risk of management override of controls in all audits. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.
Deloitte response and challenge	We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that: • Senior management's remuneration is not tied to particular financial results. We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements. **Journals** • We have tested the design and implementation of controls in relation to journals. • We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year. **Significant transactions** • We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Significant audit risks and areas of audit focus (continued)

Management override of controls

Deloitte response and challenge (continued)	**Accounting estimates** • We have performed design and implementation testing of the controls over key accounting estimates and judgements. • We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result. • We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.
Conclusion	We have concluded on the work and, based on the procedures performed, we have not noted any instances where management override the controls and are satisfied that statement of accounts not materially misstated. However, we have noted some control recommendation and errors, which are explained in the audit adjustment (page 33) and control environment sections (page 18 – 28).

Significant audit risks and areas of audit focus (continued)

Area of audit focus: Pension liability valuation

Risk identified	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Surrey Pension Fund, which is part of the Local Government Pension Scheme. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Balance Sheet. Per the draft financial statements at 31 March 2021, this totalled £62.73 million. As a result of this being an estimated balance there is a risk that inappropriate inputs and assumptions are used, which could result in the pension liability valuation being materially misstated.
Deloitte response and challenge	We have completed the following procedures: • We obtained a copy of the actuarial report for the Council produced by Hymans Robertson, the scheme actuary, and agreed the report to the Statement of Accounts pension disclosures. • We reviewed the disclosures made in the Statement of Accounts against the requirements of the Code. • We sought assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary. • We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work. • We are reviewing and challenging the assumptions made by Hymans Robertson with the support of our internal pension specialists. • We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.
Conclusion	We have concluded on the work and, based on the procedures performed, we are satisfied that valuation of pension liabilities are not materially misstated. However, we have noted some errors and control recommendation, which are explained in the audit adjustment (page 33) and control environment sections (page 19 and 25).

Value for money

Our work is ongoing and will be reported in our Auditor’s Annual Report

Value for Money requirements

We are required to consider the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 (‘AGN03’), we are required to:

- Perform work to understand the Council’s arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor’s Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Our Value for Money work is necessarily retrospective and looking at arrangements in place for the 2020/21 financial year. Whilst information which comes to light about arrangements in place during the year under audit is of value, we are unable to have regard to evidence of improvements made in 2021/22 onwards.

Status of our work

Our Value for Money work is ongoing, and will be reported in our Auditor’s Annual Report within the three month timeframe specified under the National Audit Office Auditor Guidance Note 3, subject to outstanding information from the Council.

Based on our work, we have concluded there are significant weaknesses in arrangements in respect of financial sustainability and governance. Our financial statement audit opinion will refer to the significant weaknesses in arrangements including noting the continued weaknesses in respect of sustainable resource deployment and informed decision making which we qualified our opinion in respect of in 2019/20 under the previous Value for Money reporting arrangements.

Value for money
Qualified audit conclusion

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements, and held follow-up interviews on areas where additional information was required. We are awaiting additional supporting documentation from the Council to complete our work in this area.

In addition, we have:

- reviewed of the Council's draft Annual Governance Statement;
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion;
- considered issues identified through our other audit and assurance work;
- considered the Council's financial performance and management throughout 2020/21;
- considered whistle blowing reports received in the previous period and the follow-up investigation completed by the council; and
- considered the Grant Thornton reports on the budget gap and the outturn position.

We have also considered the impact of Covid-19 on the governance and control processes in place at the council and the processes and controls put in place in order to deal with the Covid-19 business support schemes.

Findings of our work to date

Our work in this respect is still ongoing, however, we expect to report a number of significant weaknesses in the arrangements to secure value for money. We will finalise our findings in our draft report in due course, however, we anticipate reporting weaknesses in the following areas:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services. In particular, we note from our discussions with management that at the beginning of the period there were weaknesses in management's understanding of overspend compared to budget and deviations from plan were not reliably understood. In addition to the issues identified with budget monitoring, there are weaknesses in how the body approaches and carries out its annual budget setting process which resulted in an unplanned and unmitigated cost pressure of £920,500 in the year.
- Governance: how the body ensures that it makes informed decisions and properly manages its risks. In particular, the opinion of the Council's Head of Internal Audit is that only 'limited' assurance can be placed on the framework of governance risk and control. His findings include weakness in the processes and controls in place around a number of areas including (but not limited to) grant registers, information governance, treasury management and IT asset management. These issues provide evidence of weaknesses in proper arrangements for managing risks effectively and maintaining a sound system of internal control. Throughout the period, the Council has continued to implement its action plan in response to the findings of the Centre for Public Scrutiny Governance report received in the year. Whilst we acknowledge progress has been made, there were significant weaknesses in governance arrangements during the year under audit.

Your control environment and findings

Control deficiencies and areas for management focus

(reported previously in our report dated 15 Sep 2022)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
Internal controls Under ISA, we are required to obtain the understanding of the relevant controls and perform design and implementation testing in respect of the significant risks, moreover, we are required to obtain understanding of the business process as part of our risk assessment. We noted that management could not provide the relevant evidence of control reviews having taken place in some instances. Management explained that the reason they could not provide evidence of review controls having been completed in some instances was because staff had left the council.	2021 High Control activities	We recommend that management should devise a protocol to ensure the evidence of review controls is retained, even if personnel changes occur.	The Tandridge Finance Transformation programme has introduced a new approach to Corporate Finance, involving staff changes and significant support from Surrey County Council through the Joint Working Agreement. Arrangements for 2020/21 were delivered under the previous model. Management agree that evidence of control reviews should be documented more thoroughly in future. The finding is exacerbated by the significant delay in completing the audit.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 15 Sep 2022)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
While performing the audit procedures on the pension liabilities/assets, we noted that there was an error in the Private Equity assets valuation of the Surrey Pension Funds amounting to £38m (as mentioned in the previous pages). Tandridge District Council's management considered this an estimation difference and has therefore, not adjusted the council accounts.	2021 Medium Control activities	We recommend that management should devise a mechanism which would enable TDC management to track any unadjusted misstatements reported by the pension fund's auditor. This will enable management to evaluate unadjusted misstatements and determine whether the Council's financial statements need to be adjusted.	There is a mechanism to be able to track changes in the Pension Fund, The item in question looks to be in connection with the L3 (or Level 3) investments and is not correction of an error. As it was not deemed by the Pension Fund to be an error no adjusted was required and no adjustment was made. These are private market investments which are not traded in the same way as quoted or pooled instruments. The valuation of these therefore takes some time to generate. Any adjustments are down to additional information obtained after the passage of time – in some cases several months – to the time of the audit. The IAS19/FRS102 accounting estimates would have been produced with the best available information at the time and therefore stand.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 25 Nov 2022)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
Per the Council's fixed assets policy, all HRA assets are to be revalued annually. However, during reconciliation of the fixed assets register to the valuation reports, we identified 30 HRA assets (15 properties comprising 15 land and 15 building assets) with NBV of £3,134,755 that had not been revalued in the year. On inquiry, we noted that 2 of these were additions in the year and were not valued in line with the Council's policy. No explanation was given for the 28 assets not revalued. In line with IAS 16, we have estimated the potential misstatement/error using the index recommendations from the Valuer's Market review report as at 31 March 2021 and proposed the adjustment.	2021 Medium Control activities	We recommend that management should ensure that information provided to the Valuer's are reviewed for accuracy and completeness.	Agreed and noted for future actions.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 25 Nov 2022)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
We note that the finance team have limited capacity and are under significant pressure much of the time. We have consistently observed that financial records do not appear to be of the detailed quality we would expect, and that management are having to invest considerable time seeking the information required for the audit. The turnover of staff has exacerbated this issue, however, had suitable records been retained, this should not have posed a significant challenge.	2021 high Control activities	We recommend that management continue to review the resource requirements of the finance team and perform a detailed review of the processes in place to retain supporting evidence for financial reporting purposes. Retaining detailed evidence as transactions are reported should result in considerably less resource being required to support the audit, and will ensure that the council meets the statutory requirement to retain suitable accounting records.	The Tandridge Finance Transformation programme has introduced a new approach to Corporate Finance, involving staff changes and significant support from Surrey County Council through the Joint Working Agreement. The working papers for 2020/21 were provided under the previous approach. Management agree that the quality of working papers should improve in future, but this will be an ongoing process as much of 2021/22 accounts were produced under prior arrangements.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 25 Nov 2022 and updated in report dated 15 Feb 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
During the audit, we have raised detailed queries regarding the property valuation to management. We have observed that management usually need to perform a detailed examination of the workings, or revert to the expert valuer in order to respond to us. Whilst this is perfectly reasonable in some cases, there have been instances when we would have expected management to readily know the answers as a consequence of having performed a detailed management review of the output from management's expert (and indeed from having close involvement in the inputs to their workings). One of the main instance is valuer assumed a remaining useful life (RUL) of 50-54 years for all properties without consideration of the condition, age and life span of the individual properties. They have not fully explained how they estimated the RUL of the key components of the properties or provided details of the evidence considered in arriving to their conclusion. For the properties that had been selected for review by us, we would expect the range of RUL's to be greater in order to represent their differing ages, designs, construction and uses, as well as any subsequent modernisation or refurbishment of the buildings, plant and machinery. If there are weaknesses in the detailed involvement of management in ensuring that inputs to the valuation workings are accurate, assumptions reflect best expectations at the time and that outputs are appropriate, there is a risk that the specialist valuer will reach an inappropriate valuation for the Council's property portfolio	2021 Medium Control activities	We recommend that management have a close involvement with making the judgements which drive the valuation, for example, the assumptions used for MEA calculations. We recommend that a detailed review of the valuations completed by management's expert be carried out and evidence of the challenges made retained. Management should seek further explanations from their expert as required, in order to have a comprehensive understanding of the reasons behind all key movements in asset valuations before accepting the valuation report.	Apart from the MEA calculation where we relied on the valuers to have considered this management are not aware of any other detailed examination happening or reversion to WHE for answers. Management do review the valuations received and WHE provide explanations for movements Moreover, management seek to resource this review in a way proportionate to the size of the council and acknowledging that asset valuations have no influence on the general fund or HRA revenue budget. Reviews will be risk-based and within the constraint of existing asset management resources

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 25 Nov 2022)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
The Council revalue its operational PPE portfolio on a 5 year rolling basis and revalued a significant portion of its portfolio in for the FY 19/20. Accordingly, the Council has subsequently created a schedule of assets to revalue over the 5 year period from FY19/20 on this rolling basis. However, we noted some of the assets were not revalued within a class. CIPFA/IAS16 requires that if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. The effect of those as calculated were immaterial for this year and therefore no proposed adjustment was raised. However, it could have been material if there were more such assets or if they were of high value.	2022 Medium Control activities	We recommend that management should ensure that all the assets are included in the scope of the valuation within respective class.	We revalued all assets in 2019-20 to bring assets into line and then a new schedule was established. I believe assets are revalued by asset class as per the schedule. The identification of operational PPE that wasn't revalued was because they were not scheduled to be revalued and not because of Audit findings

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 25 Nov 2022)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
During the year, we noted one of the GL balance (92699) in debtors does not agree with the subledger breakdown. Management is unsure about the difference. Accordingly, we have proposed the adjustments in respect of this.	2022 Medium Control activities	We recommend management should ensure periodically that the GL balances reconcile with the breakdown/subledger.	Agreed and noted for future actions.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 25 Nov 2022)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
In respect of the pension liability, the Employer was aware of the Goodwin case but has not allowed for any additional costs as a result of the ruling for the year ending 31 March 2021. Also, an allowance was not made for the year ending 31 March 2020 on the basis of minutes from the LGPS advisory board that the government is not conceding the Goodwin case. For a typical LGPS employer, we understand that the estimated Goodwin impact could be between 0.0% and 0.2% of the DBO (i.e. up to £300k). Hence, we propose an adjustment to reflect this.	2022 Medium Control activities	We recommend management ensure all the necessary provisions are made based on the latest information available and they should challenge the pension report to ensure its reasonableness.	The Pensions report is already robustly challenged to test for reasonableness. As acknowledged in the narrative the impact could be 0.0% and would not require any adjustment. Any adjustment is not deemed to be material.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 15 Feb 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
As part of our journal entries testing, we noted 4 journals of over 170 lines with inadequate/unclear wording describing the purpose of these entries. There may be multiple entries of the same transactions if journals are not properly/clearly described. Additionally, fraud risk is heightened as inappropriate/unapproved transactions may be masked with unclear descriptions.	2022 Medium Control activities	Management should ensure that description of all journal entries are clear enough to describe the nature of transactions being posted. In addition, journals should be split to the individual level and management should avoid batching multiple journal as one. As more concise journals would make it easier for internal reviews.	We agree with the recommendation. Improvements will be implemented part way through 2022/23 accounts so 2021/22 will see the same finding.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(reported previously in our report dated 15 Feb 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
As part of review of the aged debtors we noted that a total of £62,544 debtor balance has been outstanding for over 5 years. Upon inquiry from the management they presume that these balances would have already been provided for and part of the year end provision computation. However, no substantial evidence can be provided to precisely evidence that these debtor balances are included in the provision calculation. In the absence of the any substantial evidence, we proposed to provide these balances.	2022 Medium Control activities	In absence of the provision breakdown which reconcile back to debtor, there is a risk that management may be holding debtors that are not recoverable in their books. Management should develop a mechanism whereby they can identify specifically which debtors balances are provided to ensure that adequate provision is made in the books.	Management agree with the recommendation. We will review all debtor balances to ensure adequate provision is made in the accounts. Improvements will be implemented part way through 2022/23 accounts so the 2021/22 statements will show the same findings

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New finding – not reported previously in our report dated 15 Sep 2022, 25 Nov 2022 or 15 Feb 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
Localism Act 2011 mandates TDC to maintain a register of interest for all its members and co-opted members. Section 29 of the Act states that "The monitoring officer of a relevant authority must establish and maintain a register of interests of members and co-opted members of the authority." During our review, we have not been provided with declaration of interest forms for 3 councillors and given to understand that these are missing from the records. In the absence of the complete list of declaration of interest, there is a risk that TDC may be unknowingly conducting business with entities where its councillors have a significant interest and hence, relevant disclosures could get omitted.	2022 Medium Control activities	Management should ensure that it obtains and retain declaration of interest forms from all of its councillors and officers.	Management agree that it should make all possible attempts to obtain declaration of interest forms from all relevant councillors and officers.

Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on our audit report. An overview of our financial statement audit work will be included in our Auditor's Annual Report.

Our opinion on the financial statements

Our opinion on the financial statements is expected to be unmodified.

Emphasis of matter and other matter paragraphs

We anticipate including an emphasis of matter paragraph to reflect the material valuation uncertainty included by your valuer over some of your property valuation.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

Value for Money reporting by exception

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

Our work in this respect is still ongoing. However, we expect to issue a qualified value for money opinion in line with previous year.

Irregularities and fraud

We will explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to **all** entities for periods commencing on or after 15 December 2019.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council): • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation	We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance. We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading. Our preliminary review identified a number of areas where the Narrative Reports needed revising in order to comply with guidance and to ensure that they were fair, balanced and understandable. We requested that management update the narrative report to reflect the passage of time prior to approval of the financial statements which they have done. Together with management, we are finalising the outstanding matters on the draft accounts. We are not expecting any material unresolved issues at the time of signing.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. We are in the process of ensuring that the significant weaknesses we expect to report in our value for money opinion are appropriately reflected in the annual governance statement. We do not anticipate reporting any findings on the final version of the annual governance statement.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit & Scrutiny Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit & Scrutiny Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Bristol | 27 March 2023

Appendices

Audit adjustments

Unadjusted misstatements

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

	Debit/(credit) income statement £m	Debit/(credit) in net assets £m	Debit/(credit) OCI/Equity £m	*Memorandum* *Debit/(credit) General Fund £m*	If applicable, control deficiency identified
Misstatements identified in current year					
Pension liabilities adjustment in respect of planned asset		£611k	(£611k)		Page 19
Pension liabilities adjustment in respect of Goodwin case		(£300k)	£300k		Page 25
HRA assets not revalued		£79k	(£79k)		Page 20
Difference between GL and debtors ledger which management cannot substantiate	(£233k)	£233k			Page 24
Provision on long outstanding debt	£63k	(£63k)			Page 27
Misstatements identified in prior years					
Adjustment in valuation of Quadrant House	£82k		(£82k)		
Aggregation of misstatements individually < £816k					
Total	**(£88k)**	**£560k**	**(£472k)**		

Audit adjustments

Disclosures

Disclosure misstatements

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

Disclosure
As part of review of financial statements we noted the following disclosures were missing which are required by the Code, however, not disclosed by the Council: o Defined benefit obligation disclosures as mentioned in Code paragraph in 6.4.3.45; *(Including maturity profile of the obligation and maturity analysis of benefit payments)* o HRA vacant possession disclosures as mentioned in the Code paragraph in 3.5.5.1; *(Including an explanation that the vacant possession value and balance sheet value of dwellings within the HRA show the economic cost of providing council housing at less than market rents)*

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised.
Fees	The "scale fee" set by Public Sector Auditor Appointments Limited for the financial statement audit is £35,536, which is consistent with the prior year. Following completion of the 2019/20 audit, we are in the process of reviewing the audit fee in order to reflect the issues which were noted during the audit and will agree this with management before presenting to the audit & scrutiny committee. In addition, for 2021 we will be proposing a fee variations for the council reflecting • our experience of the cost of delivery of the audit • wider factors impacting the cost of the delivery of the audit due to regulatory changes and requirements including changes to the Value for Money Requirements. No other non-audit fees have been charged by Deloitte in the period.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have not other relationships with the Council or Group, its councillors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Our approach to quality

AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC's findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website. https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports

Our approach to quality

FRC Audit Quality Inspection and Supervision report

We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality. Audit quality is and will remain our number one priority and is the foundation of our recruitment, learning and development, promotion and reward structures.

In July 2022 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2021/22 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, we are pleased that both the overall and FTSE 350 inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show an improvement. 82% of all inspections in the current cycle were assessed as good or needing limited improvement, compared to 79% last year. Of the FTSE 350 audits reviewed, 91% achieved this standard (2020/21: 73%). This reflects our ongoing focus on audit quality, and we will maintain our emphasis on continuous improvement as we seek to further enhance quality.

We welcome the breadth and depth of good practice points identified by the FRC particularly those in respect of the effective challenge of management and group audit oversight, where the FRC also reports findings.

We are also pleased that previous recurring findings relating to goodwill impairment and revenue were not identified as key finding in the current FRC inspection cycle, reflecting the positive impact of actions taken in previous years. We nevertheless remain committed to sustained focus and investment in these areas and more broadly to achieve consistently high quality audits.

All the AQR public reports are available on its website: https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports

The AQR's 2021/22 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had made progress on actions to address our previous findings and made improvements in relation to its audit execution and firm-wide procedures. The firm has continued to show improvement, with an increase in the number of audits we assessed as requiring no more than limited improvements to 82% compared with 79% in the previous year and 80% on average over the past five years. It is also encouraging that none of the audits we inspected were found to require significant improvements.

The area which contributed most to the audits requiring improvement was the audit of estimates of certain provisions. There were also key findings in relation to group audits, the review and challenge by the Engagement Quality Control Review (EQCR) partner and the application of the FRC Ethical Standard."

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Improve the audit of estimates in relation to certain provisions

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- Our main annual technical training includes specific training in relation to the audit of complex estimates and provisions and includes scenario examples for auditing management estimates. Our Engagement Team Based Learning ("TechEx Teams") will also include a follow-on session focusing on accounting estimates.
- We plan to develop a checklist, similar to that in place for our banking audits, for auditing Expected Credit Loss ('ECL') models for corporate audit teams to use where there are complex models being deployed by the companies we audit.
- Additional coaching will be provided to improve experience and skills when performing corporate audits which have ECL provisions.
- We continue to hold monthly workshops with our partners and directors to brief them on areas of regulatory focus, including the root cause of issues identified, and raise awareness of the importance of the review process.

How we addressed this area in our audit

- We have used our guided risk assessment tools to aid us in assessing the risk, and to develop appropriate responses to the assessed risks, including our challenge of the key estimates.
- Ensured that all audit team members watched the Firmwide Essential Professional Update shared monthly via internal compliance portal.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Further enhance the consistency of the evaluation by the group audit team of the component auditors' work

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We established a Group Audit coaching programme to support engagement teams in key areas relating to group audits, primarily through sharing of good practice and highlighting common pitfalls. This programme will be expanded for FY22/23 to increase the number of coaches and engagements to be coached ahead of December 2022 year-ends.
- We included a mandatory training module within our main annual training ("TechEx") on Group Audits which focused on effective direction, supervision and review of component auditors. Our Engagement Team Based Learning ("TechEx Teams") will also include a follow-on session focusing on Group Audits.
- We are performing a refresh of our Group Audit practice aid in light of inspection findings to develop a reference point for good practice examples. We also intend to share templates that audit teams can use to evidence the communications held throughout the audit process with component audit teams.
- Monthly workshops are held with partners and directors to brief them on the areas of regulatory focus. We also regularly communicate the FRC findings, including those on group audits to the wider audit practice during the inspection cycle through our Weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.

How we addressed this area in our audit

- As Council has one significant subsidiary with few balances to include, therefore, engagement managers coached the team in respect of the group audit testing.
- Moreover, team were periodically supervised, and work is reviewed by experience manager and partners.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Strengthen the evidence of review and challenge by the Engagement Quality Control Review partner

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We commenced an EQCR transformation programme in the second half of 2021 designed to build on our existing EQCR practices to further enhance the effectiveness of our EQCR process and improve the evidence retained to demonstrate the EQCR challenge.
- We have made enhancements to our EQCR allocation process and refreshed the onboarding of new EQCR partners, with a new onboarding pack that emphasises the expectations and accountability of the EQCR role.
- Our evidence of EQCR review and challenge template has been refreshed and updated.
- We have delivered additional guidance on expectations for the EQCR reviewers and also shared good practice examples across the audit practice.
- We have included reminders of the EQCR requirements with respect to the need to hold discussions with Key Audit Partners of material subsidiaries in our EQCR briefings which are delivered to all EQCR reviewers.
- We included reminders within our ‘Group Audit’ and ‘Direction, Supervision & Review’ training modules in our main annual training (“TechEx”) on EQCR which focused on EQCR review requirements and policies.

How we addressed this area in our audit

- This audit does not require an EQCR to be completed by a partner. The professional standards review has been allocated to an experienced senior manager.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Appropriately apply the FRC Ethical Standard, particularly in relation to the approval of non-audit services

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We have updated our templates and guidance in respect of the Objective, Reasonable and Informed Third Party ('ORITP') test for non-audit services.
- We have updated our breach management policies, as well as introduced additional training and guidance on the revised FRC Ethical Standard.
- We continue to develop further guidance and to monitor all areas of the application of the FRC Ethical Standard to manage the risk of recurrence.
- We plan to run further workshops and training for all Partners and Directors in Autumn 2022 to communicate FRC findings, re-iterate latest guidance, share examples and common pitfalls with a specific focus on the ORITP test.

How we addressed this area in our audit

- We have used the latest templates and guidance in our assessment of all non-audit services.
- See our reporting in Appendix 'Independence and fees' in relation to our relationships with the Council.

Our other responsibilities explained

Fraud responsibilities and representations

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Audit & Scrutiny Committee to confirm in the fraud discussion call and in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud / you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Audit & Scrutiny Committee to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

During our year end audit, we identified the risk of fraud in the recognition COVID-19 grant income and management override of controls as a significant audit risk. The audit work performed to date and any issues has been reflected in the previous pages of significant risks.

During course of our audit, we have had discussions with management, those charged with governance and Internal Audit. In particular, we had meetings with Internal Audit and reviewed their reports to understand the findings from the Customer First investigation and to understand the implications of their limited or no assurance reports for the purpose of informing our risk assessment.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No significant concerns have been identified from our work to date, except as disclosed elsewhere in this letter.

Deloitte.