



# Maldon District Council

Planning report to the Performance, Governance and Audit Committee on the 2021/22 and 2022/23 audits  
13 November 2024

# Contents

## 01 Planning report

---

Executive Summary	3
Responsibilities of the Council	8
Overview of planned financial statement procedures	10
Materiality	14
Value for Money Arrangements	15
Purpose of our report and responsibility statement	16

## 02 Appendices

---

Minimum procedures expected of the Council prior to work on statement of accounts	18
Prior year audit adjustments	19
Prior year control findings	20
Our other responsibilities explained	22
Independence and fees	24

# Impact of the backstop provisions

## The Government has announced a legislative backstop date of 13 December 2024.

This report sets out how the accounts and audit process will operate for Maldon District Council (“the Council”) for the financial years 2021/22 and 2022/23, in accordance with the “backstop” provisions that the Ministry for Housing, Communities and Local Government (“MHCLG”) and the National Audit Office (“NAO”) have announced and are in the process of enacting. Although Parliamentary processes mean these provisions are not yet published in their final form, and the effective date of legislation when opinions can be issued has not yet been confirmed, we have set out our understanding of their impact and the plan for the accounts and audit processes required to be completed before at the latest 13 December 2024. This report should be read alongside management’s paper setting out their plan for the actions required through to the backstop date. The issues leading to delays in the 2020/21 audit were included in our report dated 27 November 2023.

### **Impact of the backstop provisions**

Under the backstop provisions, local authorities will be required to publish their statement of accounts and audit report by the backstop date. For financial years up to 31 March 2023, this will be 13 December 2024.

The Council’s 2020/21 accounts were finalised in November 2023, with the delay in signing being due to a combination of:

- The impact of the COVID-19 pandemic on account preparation and audit procedures.
- The identification of long standing errors requiring prior period correction.
- Awaiting the finalisation of CIPFA Bulletin 12 (Accounting for Infrastructure Assets), which was released in December 2022.

The Council’s 2021/22 accounts were originally due to be published by 31 July 2022 and audited by 30 November 2022, but have been significantly delayed due to the late running of the 2020/21 process, and capacity constraints within both the Council’s finance team and the audit team.

To date we have completed some procedures on the 2021/22 audit, but due to the time available to complete the audits of the Council for the financial years 2021/22 and 2022/23 it will not be possible to complete all audit work required under auditing standards before that date. A summary of the work undertaken to date and outstanding is provided on the following page.

As a result, under auditing standards, and as envisaged in the backstop proposals, we expect that we will need to include in our audit report a disclaimer of opinion in respect of all remaining financial years. This is because we will be unable to obtain sufficient appropriate audit evidence by the backstop date, and that the areas affected would be so material and so pervasive that we would be unable to form a view as to whether the financial statements give a true and fair view. Our audit report will state that this disclaimer of opinion is due to the backstop provisions.

# Impact of the backstop provisions

The Government has announced a legislative backstop date of 13 December 2024.

## **Status of Audit Procedures performed on the 21/22 financial statements**

As at 30 October 2024, the audit of Maldon District Council's financial statements for the year ended 31 March 2022 is incomplete. The status of key areas of our work is as follows:

**Planning and risk assessment:** We have completed our initial planning procedures, including risk assessment, materiality determination, and assessment of the Council's business processes.

**Substantive testing:** Our substantive testing is incomplete. To date, we have performed some audit procedures relating to the testing of certain account balances, including Housing Benefit Recoveries, Prepayments, Long Term Debtors, Inventories, Heritage Assets, Intangible Assets, Provisions, Government Grants and Contributions, Interest and Investment Income, and Depreciation, Amortisation and Impairment. However, whilst we commenced in these areas, our testing is incomplete.

In other areas testing has not commenced or remains substantially incomplete, including Cash and Cash Equivalents, Short Term Investments, Short Term Debtors, Property, Plant and Equipment, Long Term Investments, Short Term Creditors, Pension Liabilities, Reserves, Fees and Charges, Employee Benefits, Other Service Expenses, and Revaluation Gain on Long Term Investment and Investment Assets.

**Disclosures:** Audit work on disclosures is at an early stage, with testing not yet started on areas such as related parties, officer remuneration, capital commitments, leases, and the expenditure and funding analysis.

**Other primary statements:** We have not yet started our work on the cash flow statement.

**Subsequent events and written representations:** Procedures relating to subsequent events and obtaining written representations have not yet commenced.

# Impact of the backstop provisions

The Government has announced a legislative backstop date of 13 December 2024.

## **Actions required of the Council**

The backstop provisions do not affect the responsibilities of the Council for the preparation, publication and approval of the financial statements. Auditors are only able to provide an audit report, even if modified or disclaimed, on a set of accounts which have been certified by the Section 151 Officer, subject to the statutory 30 working-day inspection period and approved as final by those charged with governance.

The Council has already published the draft statement of accounts for all outstanding years of account, and has completed the public inspection period.

As detailed on page 18, the published statement of accounts will need to be updated for the final position in the 2021/22 statement of accounts, and to correct known errors in the current drafts. These matters will need to be addressed before we can perform our procedures set out below.

# Impact of the backstop provisions (continued)

## Impact upon our audit procedures

### **Actions required by the auditor**

There are three principal responsibilities of a local authority auditor:

1. The audit of the financial statements,
2. Work in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources ("Value for Money"), and
3. Consideration of any objections raised by electors.

Under the backstop provisions, the auditor will need to have completed their consideration of any objections which may be material to the financial statements that have arisen from work completed to date, and either completed their work in respect of Value for Money arrangements, or determined that any remaining work will not have a material impact on the financial statements, prior to issue of their audit report (even if they have been unable to complete their financial statement audit).

We have set out on pages 10 - 13 our planned procedures in respect of the financial statement audit, and on page 15 in respect of our Value for Money responsibilities.

We have not received any objections in respect of the published years of account, and therefore no work is required in respect of these.

We will communicate our findings from our work to the Performance, Governance and Audit Committee.

If we identify any misstatements or disclosure deficiencies from our procedures, we will communicate these to management, and will include any uncorrected items in our final report to the Performance, Governance and Audit Committee. If there are any known material misstatements, then we would expect these to be corrected in the final financial statements. If we are aware of any material uncorrected misstatements, we will need to include details of these misstatements in our audit report (in addition to our disclaimer of opinion).

We will also issue an Auditor's Annual Report, including our Value for Money commentary, which we expect we will issue on a combined basis covering both 2021/22 and 2022/23.

# Impact of the backstop provisions (continued)

## Impact upon our audit procedures

### **Interaction with the incoming auditor and the 2023/24 accounts and audit process**

The Council has not yet published its draft 2023/24 statement of accounts for inspection, which was required to be published by 30 June 2024.

We will co-operate with KPMG, your appointed auditor for 2023/24 onwards, in the handover of the audit of the Council.

# Responsibilities of the Council

The Council remains responsible for the preparation, publication and approval of the statement of accounts

## Responsibilities of the Council

The Council is responsible for ensuring that there is an appropriate internal control environment that enables the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Prior to publication of the final signed statement of accounts, the Council needs to have:

- Prepared the statement of accounts (including within them the financial statements);
- Completed internal reviews and other procedures required as part of the Council's internal controls over financial reporting (with recommended minimum checks detailed on page 18);
- Published the draft statement of accounts for public inspection;
- Completed the 30-working day public inspection period;
- Amended the draft statement of accounts for any material matters identified or which the Council considers requires correction; and
- Approved the statement of accounts.

The table on the next page summarises the status of preparation and publication for inspection of the statement of accounts for the open years of account.

Although the procedures that we will be performing (as set out on page 10 - 13) do not include substantive testing of balances, we have identified material misstatements in previous years through this type of procedure on the financial statements including internal inconsistencies, casting errors, and omitted disclosures. The Council remains responsible for preparation of financial statements that comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting and which gives a true and fair view. If further misstatements, disclosure deficiencies, or other issues are identified in the draft financial statements, these will potentially require investigation and correction by management before approval of the final financial statements, and therefore any issues will need to be considered and addressed on a timely basis to achieve the planned timetable to the backstop date.

# Responsibilities of the Council

Some work is required by the Council ahead of the backstop date

The table below summarises the status of preparation and publication for inspection of the open years of account:

	2021/22	2022/23
Draft accounts prepared	Yes	Yes
Draft accounts consistent with the last audited accounts	Yes	N/A, as the 2021/22 accounts are not signed
Other known issues with draft of accounts	Yes – errors noted in draft accounts requiring updates	Yes – changes to FY2021/22 to be reflected.
Updated draft required before can begin audit procedures	No	Yes *
Publication and inspection process		
Accounts published for public inspection	Yes	Yes
Public inspection period completed	Yes	Yes
Objections received	No	No

MHCLG has stated that it is expected that Councils should have sufficient internal controls and processes to provide assurance to the Section 151 Officer that the accounts present a true and fair view, and enable approval of the accounts. In light of the material misstatements and significant control deficiencies identified in previous audits, the Performance, Governance and Audit Committee may wish to receive a paper from management on the assurances in place including over significant estimates and judgements as part of the approval of the final accounts.

To satisfy the backstop requirements, while acknowledging our inability to complete a full audit under ISAs (UK), we are required to perform a limited scope of procedures. These procedures have been documented on pages 10 to 13.

# Overview of planned financial statement procedures

## Overview of planned procedures

Due to the time available to complete the audits of the Council for the financial years 2021/22 and 2022/23, it will not be possible to complete all audit work required under auditing standards before that date. We have set out in the table below an overview of the key aspects of the work that we plan to complete, in order to be able to disclaim our opinion:

Area	Planned procedures
Initial planning activities	<p>We will complete our overall assessment of engagement risk, which will also inform our planned Value for Money procedures.</p> <p>We will perform our engagement acceptance and continuance procedures, including in respect of independence.</p> <p>We have determined materiality for the 2021/22 and 2022/23 audits as detailed on page 14.</p>
Risk assessment procedures, including understanding of the Council and its environment, and of internal control.	<p>We have an existing understanding of the Council and its environment, and of its internal control, from previous years' audits and the procedures that had been commenced on the 2021/22 audit.</p> <p>For the open years of account, there is insufficient time prior to the backstop date to complete the audit testing required to respond to identified risks of material misstatement. We therefore have not completed, nor plan to complete, all risk assessment procedures as required by ISAs (UK).</p> <p>As part of our procedures on the financial statements (discussed on the next page), we will perform overall analytical procedures on the draft financial statements.</p>
Fraud enquiries	<p>We plan to complete the fraud inquiries required under ISA (UK) 240, as detailed on page 23.</p>
Overall audit procedures that also impact upon our Value for Money procedures	<p>There are a number of areas of audit procedures which also inform our Value for Money work. We will complete procedures in these areas including:</p> <ul style="list-style-type: none"> <li>• Review of minutes of the Council and its principal committees;</li> <li>• Review of the work of internal audit.</li> </ul>

# Overview of planned financial statement procedures

Area	Planned procedures
Significant risks	<p>We have not completed the risk assessment procedures required by ISAs to identify any significant risks for the 22/23 financial year, and as noted above do not anticipate doing so as there will be insufficient time to complete the audit testing required to respond to identified risks of material misstatement.</p> <p>The significant risks which we had identified as part of our risk assessment procedures in respect of the 2021/22 audit, and which the Performance, Governance and Audit Committee may wish to consider the internal assurances in place in respect of the open years of account, were:</p> <ul style="list-style-type: none"> <li>• Management override of controls (a presumed risk for all audits); and</li> <li>• Recognition of COVID-19 related income</li> </ul> <p>These significant risks remain consistent with the risks included within our report in respect of the 2020/21 audit, however, no further updates have occurred since April 2024 with regards to the risks identified on the 2021/22 audit.</p> <p>We had rebutted the presumed risk of fraud in revenue recognition for 2020/21 but have not determined whether this would be a risk for subsequent years.</p> <p>Other areas of audit focus in the 2020/21 audit which we reported on to the Performance, Governance and Audit Committee, and which may remain relevant to subsequent years, (but which had not been identified as significant risks) included:</p> <ul style="list-style-type: none"> <li>• Defined benefit pension scheme</li> <li>• Valuation of property assets</li> <li>• Infrastructure assets</li> </ul> <p>The Performance, Governance and Audit Committee may also wish to consider how these matters have been treated in the open years of account, in particular in respect of the pension liability given significant movements in valuations in the period experienced by most organisations, including in some cases moving to an asset position (which requires consideration of whether the full value of the asset can be recognised).</p>

# Overview of planned financial statement procedures

Area	Planned procedures
Testing of account balances, classes of transactions, and disclosures	We do not plan to perform our audit testing of underlying balances, transactions or disclosures. As noted above, there is not sufficient time to complete work in sufficient areas before the backstop date to be able to form an audit opinion.
Compliance with laws and regulations	We will inquire of management and those charged with governance whether the Council is in compliance with applicable laws and regulations. We will inspect any correspondence with regulators.
Financial statements	<p>We will obtain an understanding of management’s process for the preparation of the financial statements, including any updates to the originally published accounts necessary for findings from previous audits.</p> <p>We will review the draft financial statements, including performing overall analytical procedures.</p> <p>We will agree the primary statements (comprehensive income and expenditure statement, balance sheet, statement of cashflows, and movement in reserves statement), and the Collection Fund to supporting accounting records.</p> <p>We will agree the opening balances and comparative figures to the prior year financial statements.</p> <p>We will perform a “call and cast” of the financial statements for internal consistency and arithmetic accuracy.</p> <p>We will review the financial statements against the requirements of the CIPFA disclosure checklist and International Financial Reporting Standards.</p> <p>If we identify any apparent errors, omissions, or inconsistencies that are not clearly trivial, we will discuss these with management and request correction of identified misstatements (including disclosure deficiencies). We will report uncorrected misstatements, or corrected misstatements that we consider to be significant, to the Performance, Governance and Audit Committee.</p>
Evaluation of misstatements	We will evaluate any misstatements and disclosure deficiencies identified, and consider whether any uncorrected items are individually or in aggregate material to the financial statements.
Annual Governance Statement	We will review the Council’s Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work (including from our Value for Money procedures).

# Overview of planned financial statement procedures

Area	Planned procedures
Internal control findings	<p>We will not be performing our usual procedures to understand the Council's internal controls, and will be not be performing our audit testing of balances, which are typically how we identify control findings. However, if we identify any matters through our planned procedures, we will communicate them to management and the Performance, Governance and Audit Committee, in accordance with ISA (UK) 265.</p> <p>We have reported a number of significant control deficiencies and recommendations to the Council from our previous audits, most recently in our report of 27 November 2023 on the 2020/21 audit, which we have summarised on pages 20 and 21. Given the extent of planned procedures, we will not be evaluating the extent to which management have implemented their responses to these recommendations. The Performance, Governance and Audit Committee may wish to receive an update from management on progress against our previous recommendations as part of their approval of the financial statements.</p>
Subsequent events	<p>We will inquire of management whether there are any subsequent events that affect the open years of account, and if so whether and how they have been reflected in the financial statements.</p>
Reporting to those charged with governance	<p>We have included in this planning report those matters which we are required to report to you under auditing standards.</p> <p>We will include in our final report our findings from the procedures performed, and any other matters we consider we are required to report to the Performance, Governance and Audit Committee.</p> <p>As we will not complete our usual audit procedures, we do not anticipate we will form a view on significant qualitative aspects of the entity's accounting practices (including accounting policies, accounting estimates and financial statement disclosures), and so will not report to you in respect of these matters.</p>
Duties as public auditor	<p>No objections have been received in respect of any of the open years of account.</p> <p>We will consider whether any matters are identified through our audit requiring the exercise of any of our other audit powers under the Local Audit and Accountability Act 2014.</p>

# Materiality

## Our approach to materiality

### Determination of materiality

- Although the extent of planned procedures does not include testing of balances, we are required to determine materiality for the purposes of evaluation of any misstatements identified (and so whether the financial statements are materially misstated).

### Basis of our materiality benchmark

- Based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements, the key audit partner has determined materiality as
  - £678k for the 2021/22 audit; and
  - £674k for the 2022/23 audit.
- We have used 2% of gross expenditure as stated in the draft financial statements as the benchmark for determining materiality.
- Our approach is consistent with previous years, and we have considered it appropriate based on our understanding and knowledge of the Council and its operations.

### Reporting to those charged with governance

- We will report to you all misstatements found in excess of £33.9k for the 2021/22 audit and £33.7k for the 2022/23 audit.
- We will report to you misstatements below this threshold if we consider them to be material by nature.

# Value for Money arrangements

Any significant weaknesses will be included in our audit report. Our VfM commentary 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 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. Under the requirements we understand will be applicable for the backstop period, our work is by reference to two reporting criteria (financial sustainability and governance). We understand the reporting criterion of improving economy, efficiency and effectiveness will be removed for audits up to and including 2022/23 under the backstop proposals;
- 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 report.

We anticipate that we will issue a single Auditor's Annual Report covering the open years of account.

---

## Status of our risk assessment and Value for Money procedures

We have not yet finalized our risk assessment procedures for the 2021/22 and 2022/23 audits or identification of any risks of significant weakness.

Our work on this is currently in progress.

---

# Purpose of our report and responsibility statement

Our report is designed to establish our respective responsibilities in relation to the audit, and to communicate our audit plan and planned scope. We will update you if there are any significant changes to the audit plan.

This report has been prepared for the Performance, Governance and Audit Committee and 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. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

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

**Deloitte LLP**

Newcastle | 13 November 2024

# Appendices



# Minimum procedures expected of the Council prior to work on statement of accounts

We have included below a summary of the minimum procedures that we would expect the Council to have undertaken prior to the start of any auditor procedures upon the statement of accounts. These reflect general good accounting practice and the guidance in CIPFA's "Streamlining the Accounts" publication (which includes more extensive guidance on the year-end process and preparation of working papers).

## Overall procedures

Update of the draft financial statements so that comparatives and opening balances align to previous audited accounts, and all expected disclosures included, with documented check that opening balances and comparative figures agree to the previous audited accounts or updated draft of previous year

Completion of the CIPFA Disclosure Checklist and resolution of any issues arising for this

Consistency check of the figures included in the narrative report to the financial statements

Documented internal review of the financial statements

Documented internal "call and cast" of internal consistency and arithmetic accuracy

Documented check the figures agree to underlying supporting working papers, which have been appropriately completed and reviewed, with appropriate review of a documented audit trail of any adjustments between the general ledger and the financial statements

Documented analytic review of movements of more than 10% in balances, with a clear and meaningful explanation for all variances.

## Consistency checks

Agree the additions in the PPE and other fixed asset notes to the note on Capital Expenditure and Capital Financing

Agree the depreciation and impairment charges in the PPE and other fixed asset notes to the Capital Adjustment Account and Statutory Adjustments notes

Agree the surplus/deficit for the year from the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement, cashflow statement, and Expenditure and Funding Analysis.

Check consistency of statutory overrides and adjustments between the Expenditure and Funding Analysis, Movement in Reserves Statement, and related disclosure notes.

Check that the Capital Financing Requirement matches to fixed assets less revaluation reserve and capital adjustment account, or that any differences are understood.

# Prior year audit adjustments

## Uncorrected misstatements

The following uncorrected misstatements were identified in relation to the 2020/21 audit:

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Memo: Debit/ (credit) usable reserves £m
<b>Misstatements identified in 2020/21 audit</b>					
Recognition as liability of S106 grants which have no possibility of repayment	[1]		0.265	(0.265)	
Incorrect classification of PPE as infrastructure assets	[2]	0.305	(0.305)		
Capitalisation rate adopted by DVS in the valuation of the Springfield Industrial Estate exceeds expected range for an industrial asset with reversionary potential	[3]		(0.310)		0.310
NNDR Payable balance not linked to a specific individual NNDR creditor	[4]	0.057	(0.057)		
<b>Total</b>		<b>0.342</b>	<b>(0.407)</b>	<b>(0.265)</b>	<b>0.310</b>

- (1) Per the Guidance to the Code, grants or donated assets which have been received by an authority should be credit as income to the CIES at the point that the authority's relationship with the donor ceases to have the formal status of a liability. From the review of the capital grant recorded by the Council as at the year end, we noted that the Council included grants received which had no clawback clause and for which the authority had satisfied all the conditions which could have resulted directly in repayment of these specific grants
- (2) As part of our audit procedures to evaluate the impact of the identified issues and the related documentation released by the CIPFA & DLUHC on the Property, Plant and Equipment (PPE) balance for the current year audit (YE 31 March 2021), we have reviewed the componentization and nature of all the assets which were classified as infrastructure assets by the Maldon District Council and noted some assets which were wrongly classified as infrastructure assets in the prior year.
- (3) Based on the calculation reperformed by the Deloitte Real Asset Advisory (DRAA) to confirm the mathematical accuracy of the methodology as applied by the DVS, it was noted that the capitalisation rate adopted is considered above an expected range for an industrial asset with reversionary potential.
- (4) The NNDR Payable balance includes £ 57k that is not linked to a specific individual NNDR creditor. This was due to timing differences between Academy (system that captures NNDR and Council Tax balances for the Council) and the entity's Trial Balance as at 31 March 2021

Written representations were obtained confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments were required.

# Prior year control findings

## Summary

Our 27 November 2023 report to the Performance, Governance and Audit Committee on the 2020/21 audit included details of a number of internal control and risk management findings, and our recommendations to address them. Given the extent of planned procedures, we will not be evaluating the extent to which management have implemented their responses to these recommendations. The Performance, Governance and Audit Committee may wish to receive an update from management on progress against our previous recommendations as part of their approval of the financial statements.

Control recommendation	Year first communicated	Priority
<b>Journals</b>		
<ul style="list-style-type: none"> <li>Inadequate Journal Entry Approval Process</li> <li>Insufficient Journal Review Process Leading to Frequent Corrections</li> </ul>	2020/21	High
<b>Preparation of Draft Financial Statements</b>		
<ul style="list-style-type: none"> <li>Deficiencies in the Quality of Draft Financial Statements and Supporting Documentation</li> <li>Misclassified Cash Flows from Capital Grants within cashflow statement</li> </ul>	2020/21	High
<b>Accrued Expenses and Other Liabilities:</b>		
<ul style="list-style-type: none"> <li>Inadequate Procedures for Identifying Accrued Expenses</li> </ul>	2020/21	Medium
<b>Cash and Bank Balance</b>		
<ul style="list-style-type: none"> <li>Non-allocation of cash receipt prior to year end</li> <li>Non-update of Signatory on Inactive Santander Bank Account</li> </ul>	2020/21	Medium
<b>Revenue and Income Grants</b>		
<ul style="list-style-type: none"> <li>Overstatement of SFC Grant Income Due to Calculation Error</li> <li>Lack of Independent Review for COVID-19 Grant Income Recognition</li> <li>Lack of Budgetary Control and Grant Monitoring</li> </ul>	2020/21	Medium

## Prior year control findings (continued)

Control recommendation	Year first communicated	Priority
Capital Grants Received in Advance <ul style="list-style-type: none"> <li>Incorrect Classification of Capital Grants Without Clawback Clauses</li> </ul>	2020/21	Medium
Property, Plant and Equipment: <ul style="list-style-type: none"> <li>Insufficient Specialist Input in Valuation Report Review Process</li> <li>Incomplete Disaggregation of Infrastructure Assets in Fixed Asset Register</li> <li>Lack of Documented Process for Determining Useful Economic Life of Assets</li> <li>Omission of Valuation Survey Sheets from Valuation Report</li> <li>Missing source of information in DVS Assurance Letter Regarding Market Movement, Transactional Evidence or TPI</li> <li>Lack of Consideration for Reversionary Value in Springfield Industrial Estate Valuation</li> <li>Lack of Guidance on Rental Value Comparison in Springfield Industrial Estate Valuation</li> <li>Missing Lease Agreement &amp; Inconsistent Rental Period for Springfield Industrial Estate</li> </ul>	2020/21	High
Future Employment Benefits <ul style="list-style-type: none"> <li>Inadequate Recognition of allowance in respect of Goodwin Ruling Impact on Pension Liabilities</li> </ul>	2020/21	Medium
Operating Lease <ul style="list-style-type: none"> <li>Inconsistencies Between Lease Data and Agreements for Operating Lease Calculation</li> </ul>	2020/21	Medium
Trade Debtors <ul style="list-style-type: none"> <li>Lack of Write-Off Policy for Aged Housing Benefit Overpayments</li> </ul>	2020/21	Medium
Provisions and contingent liabilities <ul style="list-style-type: none"> <li>Missing Engagement Letters and Contracts for Consultancy Services:</li> </ul>	2020/21	Medium

# Our other responsibilities explained

## Fraud responsibilities



### Your 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.



### Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- Due to the extent of the audit work that we anticipate can be completed prior to the backstop date, our work will not provide assurance that the financial statements are free from material misstatement, whether caused by fraud or error, which will be reflected in the disclaimer of opinion in our audit report.
- We will communicate to you any other matters related to fraud we identify through our audit that are, in our judgment, relevant to your responsibilities.

### Fraud Characteristics:



- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

# Our other responsibilities explained

## Fraud responsibilities

We intend to make the following inquiries regarding fraud and non-compliance with laws and regulations:



### Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.



### Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



### Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

# 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 will reconfirm our independence and objectivity to the Performance, Governance and Audit Committee for the years ended 31 March 2022 and 31 March 2023 in our final report to the Performance, Governance and Audit Committee.

---

## Fees

Public Sector Audit Appointments Limited (“PSAA”) has set the scale fee as £37.9k for each of the financial years 2021/22 and 2022/23. This scale fee has not reflected the actual scope and cost of performing the audit of the Council, including the additional Value for Money requirements from 2020/21 onwards, and therefore this would have been subject to fee variations if the audit had not been impacted by the backstop provisions. PSAA has not yet published details of how it plans to adjust the scale fee to reflect the actual costs of audits which are affected by the backstop, and so the adjustment that will be made to this scale fee amount.

There were no non-audit services for the period.

---

## Non-audit services

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 are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

© 2024 Deloitte LLP. All rights reserved.

Deloitte Confidential: Government and Public Services