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The Royal Borough of Windsor & Maidenhead

Report to the Audit & Governance Committee on the audit for the year ended 31 March 2021

Issued 8 November 2023 for the meeting on 16 November 2023

Deloitte Confidential: Government and Public Services

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Introduction

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This report sets out the findings from our 2020/21 audit for consideration by the Audit and Governance Committee.

The scope of our audit was set out within our planning report presented to the Corporate Overview and Scrutiny Panel ("CO&SP") in July 2021 and we provided written updates to the Audit and Governance Committee meeting in February 2022 (as well as oral updates to other meetings).

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.

Overview of the accounts preparation and audit process

The external audit for both the Council's statement of accounts and the Royal County of Berkshire Pension Fund ("RCBPF") are substantially complete, subject to the outstanding items set out on page 5, which we will update you on orally at the committee meeting.

The original timelines for the 2020/21 audit were affected by the issues identified in the finalisation of the 2019/20 audit. These required significant amendments to the 2019/20 financial statements, including restatement of the 2018/19 comparatives. The issues identified were included in our final reports on the 2019/20 audit, reissued on 1 March 2023 on signing.

The 2020/21 financial statement close process had been undertaken prior to resolution of these issues, with the draft accounts published in June 2021. Although the current finance team updated the 2020/21 accounts for these changes, and other issues that they have identified, this does not address the underlying issues in accounting processes and the financial reporting and close process which therefore have continued to impact the 2020/21 audit. The Council has taken on-going steps to address these issues for subsequent years, with initial changes to the 2021/22 financial reporting and close process, underlying accounting changes in year for 2022/23, though with some changes only effective in the 2023/24 financial year.

In addition to consequent changes to the 2020/21 financial statements from the matters impacting 2019/20, issues impacting on the 2020/21 audit following resumption of audit work have included:

- The quality of the original draft financial statements and supporting working papers, together with the impact of the control deficiencies identified in the current and prior years (including the absence of accounting papers and weaknesses in the ledger structure and audit trail supporting the financial statements), impacting on the time taken for completion of the audit;
- Although revised financial statements were prepared addressing issues in the financial statements themselves, limitations in the original working papers and historic accounting practices, together with loss of historic knowledge to address accounting, have led to on-going delays in provision of information and completion of testing. The pace of receipt of information has been impacted by overall capacity within the finance team, reliance on key individuals (including part time staff) and availability of officers during the summer due to the impact of leave;
- The availability of information to test collection fund related balance sheet accounts. The Council has to date been unable to provide breakdowns of the year-end National Non-Domestic Rates debtor and creditor balances, which are material to the financial statements. This represents a limitation of scope to our audit opinion, as discussed further on page 15;
- Issues identified by management in the historic accounting treatment of a property disposal (via long leasehold) and of transfers to RBWM Property Company Limited, which management proposes to restate for in the comparatives in the 2020/21 financial statements; and
- We received 22 potential objections to the 2020/21 accounts which take considerable time to review and consider. Following liaison with lawyers and review by PSAA, we have replied to the elector advising that we have concluded not to accept any of the potential objections.

Introduction

The key messages in this report

Overview of the accounts preparation and audit process **(continued)**	A significant number of adjustments have been identified through the audit process (as well as additional internal reviews and work by the finance team). We have set out below the principal adjustments that have been made to date (in addition to less material adjustments and disclosure changes): • The Council's historic presentation of "Other operating income/expenditure" included items (in particular for 2020/21 a £37.1m inappropriate classification of items as "adjustment to reserves taken through the cost of services", and £3.6m "revenue expenditure funded from capital under statute (REFCUS)"), which should have been presented within the cost of services. (Corrected in the final 2019/20 financial statements, with adjustments then required to the 2020/21 financial statements); • Misstatements in respect of the treatment of the Council's interest in joint ventures, requiring changes to both Council and Group financial statements. (Corrected in the final 2019/20 financial statements, with adjustments then required to the 2020/21 financial statements); • Misstatements in the presentation of items within the CIES between Surplus/Deficit on Provision of Services and Other Comprehensive Expenditure, and in the related reserves movements. (Corrected in the final 2019/20 financial statements, with adjustments then required to the 2020/21 financial statements); • Misstatements in respect of the Council's property valuations due to the cumulative impact of the movement of asset values since the last valuation (The final 2019/20 financial statements were corrected by £18.7m, with consequent £18.7m impact on the opening balances in the 2020/21 financial statements); • Misstatements identified by management in the historic accounting treatment of a property disposal (via long leasehold) and of transfers to RBWM Property Company Limited. (Corrected in the 2020/21 financial statements, with restatement proposed of the 2019/20 comparative figures. Cumulative impact £4.3m in respect of the disposal and £3.2m in respect of RBWM Property Company transactions); • Adjustment to the pension valuation for finalised actuarial valuation figures. (£5.3m adjustment to the 2020/21 financial statements); • Adjustment to property valuations to correct for a £7.2m overstatement of PPE due to an error in transfers between assets under construction and operational assets and its interaction with revaluations. (Corrected in the updated financial statements); • Changes to the presentation of infrastructure assets, following the issue of a Statutory Instrument in December 2022. (Amended in the final 2019/20 financial statements and in the 2020/21 financial statements); and. • Adjustments to correct various disclosures, including omitted disclosures, and clarification of narrative disclosures, including matters amended in the final 2019/20 financial statements and additional matters arising in the context of 2020/21 disclosures. Management has updated the Statement of Account for the principal matters noted above and are addressing our observations on the updated accounts. Further adjustments may be required following the resolution of the outstanding areas set out on the next page.

Introduction

The key messages in this report

Outstanding matters	The Council has prepared updated financial statements, reflecting agreed changes, which are being presented to the 16 November 2023 meeting of the Audit & Governance Committee. Management is investigating queries raised on the indexation of properties not subject to full revaluation with their valuers. The resolution of these queries (or our checking and tie-through of the updated version presented to the committee, and remaining matters below) may identify matters requiring adjustment or inclusion in our final schedule of unadjusted misstatements. Other matters we require to complete our audit procedures on the Council are: • Receipt and review of management paper assessing impact of subsequent events on the financial statements including in respect of recovery of debtors, property disposals, and investigation of other matters impacting property valuations such as any presence of Reinforced Autoclaved Aerated Concreted (RAAC) in the Council's estate; • Receipt of miscellaneous other supporting information from queries including from quality assurance procedures; and • Receipt of a final draft Statement of Account reflecting any remaining required amendments, Remaining areas of audit work include: • Evaluation of the final misstatements identified and their impact on the financial statements; • Completion of procedures on finalised financial statements (including final version of cashflow statement and Movement in Reserves Statement); • Completion of required internal consultations on restatements and limitation of scope to the financial statements; • Completion of our concluding and reporting procedures reflecting the finalised audit and accounts; • Completion of internal quality assurance procedures and clearance of matters arising through these review procedures; • Update of our subsequent events review to the date of signing; and • Receipt of the signed management representation letter and Statement of Account for signing. In light of the issues and weaknesses identified in the prior year, the need to follow up upon those matters, and the issues identified in the current year, we have increased the resources that we have allocated to the engagement and the seniority of the resources. This has included continuing with both a director and an associate partner in the engagement team to help progress the audit and address the heightened risks and complexities that are a result of the weaknesses identified at the authority. We have allocated a full engagement team over the Summer to complete the audit, with the issues identified resulting in significant additional work. We have discussed our proposed fee variations with management, and have submitted them to the PSAA for review.

Introduction

The key messages in this report (continued)

Status of the audit – Value for Money ("VFM")	In our 2019/20 audit, we reported three exceptions to our value for money conclusion, in respect of weaknesses in arrangements for planning finances, weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control, and weaknesses in governance arrangements. The National Audit Office issued a revised Code of Audit Practice applicable for 2020/21 audits onward, which made a number of changes to the required work in respect of value for money arrangements. Under the new approach: • We performed risk assessment procedures to identify risks of significant weakness in arrangements; • From our audit work to date, we identified risks of significant weakness in respect of the three areas giving rise to reported exceptions in 2019/20; • We performed procedures to conclude whether there was a significant weakness in arrangements for 2020/21; • We concluded that the progress made in respect of arrangements for planning finances during 2020/21 (as reflected in the final CIPFA Review report dated June 2020) meant that, although there remained areas that the Council continued to work to address through the period, there was not a significant weakness in arrangements (as discussed on pages 23-24 and 30-31); • We concluded that the status of actions to address the other identified weaknesses were insufficiently advanced during 2020/21 to conclude that there was no longer a significant weakness in arrangements. As discussed on pages 25 to 29, we have made recommendations in respect of these weaknesses; and • Our audit report will make reference to the significant weaknesses and recommendations included in this report. Our final Auditor's Annual Report (which replaces the Annual Audit Letter) will include our value for money commentary - a draft of this report accompanies this paper. This will include discussion of the longer-term financial sustainability risks for the Council, including from the macro-economic factors impacting after 2020/21, which we anticipate identifying as a risk of significant weakness in considering how the Council responds to these risks in future years.
Findings from our audit procedures to date	As noted on page 3, there have been several material misstatements identified during the 2020/21 audit (including matters identified requiring adjustment in both 2019/20 and 2020/21 accounts), which have required extensive revisions to the draft financial statements and additional audit procedures on the adjustments made. We have included a section in this report providing observations arising from the audit work we have carried out to date on the areas of significant risk and other areas of audit focus reported to you in our audit planning report. As noted above, the conclusions from our value for money procedures and recommendations in respect of identified significant weaknesses in arrangements are set out from page 23 onwards. We have identified several significant control findings for 2020/21, which are noted from page 32 onwards. We have set out a summary of unadjusted misstatements in an appendix to this report. These are noted on page 44 of this report. The status of our pension fund audit and findings from our work are set out in the accompanying paper.
Impact of 2020/21 audit on later audits	The agreed target for completion of the 2020/21 audit on the financial statements was 30 September 2023. Due to the delays and issues noted above, this target date was not met. We have therefore reallocated our originally scheduled staffing for the 2021/22 audit from October for finalisation of 2020/21. The Government, CIPFA, the FRC and the National Audit Office are working on proposals for a national approach to outstanding local authority audits and for requirements for 2023/24 onwards. We are discussing with management the realistically achievable timeframes for the work required dependent upon the final proposals from Government.

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 slide summarises some key metrics related to your control environment 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.

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with identified on a timely basis, and this reflects expectations set by the Financial Reporting Council for preparers.

Area	Grading	Reason
Quality of draft financial statements	!	The original draft financial statements contained a number of material misstatements, internal inconsistencies, and omitted or unclear disclosures requiring correction in the final financial statements. Although management has taken actions to improve the accounts preparation process, the historic issues will require further consideration in finalising the 2021/22 and 2022/23 financial statements.
Quality of underlying financial records	!	As we noted in our 2019/20 control findings, the underlying financial ledger structure introduced additional risks and complexities to the financial reporting process, resulting in misstatements and additional audit complexity. As noted above in respect of collection fund balances, breakdowns as at 31 March 2021 were not retained and reconciled to the ledger for all balances, and due to "live" systems management has been unable to provide required records for testing. Although initial steps were taken in preparation for the 2021/22 year-end to address some of these issues, we understand not all changes were fully embedded by 31 March 2023, and so some issues are expected to remain for future audits.
Adherence to deliverables timetable	!	The initial circumstances of auditing remotely during Covid impacted the timeliness and completeness of provision of deliverables. Subsequent loss of historic knowledge due to staff changes, and the limitations on availability of some information and quality of records noted above have impacted on-going delivery.
Quality and accuracy of management accounting papers	!	The Council has not historically prepared accounting papers, and these were not available for initial judgements in the audit. Papers have been prepared by the current finance team in respect of additional judgements such as the proposed restatements in respect of a lease transaction and property transactions with RBWM Property Company Ltd.

! Lagging ! Developing Mature

Quality indicators(continued)

Impact on the execution of our audit

Area	Grading	Reason
Volume and magnitude of identified errors	! (Lagging)	The draft financial statements were materially misstated, requiring material revisions in a number of areas and overall changes to the structure of the financial statements.
Quality and timing of audit committee papers	! (Developing)	The Council has historically not prepared papers for the audit committee on significant accounting issues and judgements. Although this historically has not been common practice for Local Government, given the increasing focus upon the operation of Audit Committees and requisite financial reporting expertise, we recommend moving towards Audit Committee oversight of key accounting judgements.
Access to finance team and other key personnel	! (Developing)	Access to the finance team has been impacted over the course of the audit by both the effect of remote working during initial phases, and capacity within areas of Council staff to address audit queries during specific periods (including impact of leave where dependency on key individuals (although due to the extended overall process this means there will be periods where impacted in this way)). This reflects the overall challenges on capacity and ability to recruit suitable permanent staff within the finance team.
Response to control deficiencies identified	! (Developing)	Significant control recommendations were identified through both the external audit and other processes (such as the CIPFA Review and pension governance review) during previous years. Although progress was made against actions, particularly from the CIPFA review, the level of issues identified (and further matters identified during the finalisation of the 2019/20 audit, which due to timing could therefore not be addressed in the period) mean that significant control weaknesses and significant weaknesses in VFM arrangements remained for 2020/21. As noted elsewhere in this report, work is still on-going in some areas as part of the Council's transformation agenda, and therefore not all deficiencies were fully addressed by 31 March 2023.

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Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment

As with other organisations, Covid and related changes in funding and support schemes materially impacted the Council during 2020/21. This included material new grant schemes (both accounted for in the Council income and expenditure and where acting as agent for government in passing funding on). The Council also continues to work on major capital projects.

Scoping

Our work is carried out in accordance with the Code of Audit Practice and supporting auditor guidance notes issued by the NAO, which were revised for 2020/21 with consequent changes in our Value for Money approach as detailed on page 22 onwards.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We report our audit findings to date from page 33.

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality

At planning, we set materiality at £6.2m based on 1.97% of gross expenditure. We updated materiality to £6.0m for Council and £6.4m for Group materiality, based upon final outturn.

We note the inclusion of group balances in the financial statements is due to the joint venture interests held by the Council. Subsidiaries are not material and therefore not consolidated.

We report to you in this paper all misstatements above £299k for Council and £322k for Group.

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 observations on these risks arising from our work carried out to date on these risks in this report.

No additional financial statement risks have been identified since our Audit Plan. Although not identified as significant risks, we highlight the other areas of audit focus detailed from page 15 onwards as we consider these require communication to the Audit Committee.

Our VFM risks of significant weakness are considered separately (page 23 et seq).

Conclude on significant risk areas

We draw to the Committee's attention our observations on the significant audit risks from the work completed to date. The Committee members must satisfy themselves that officers' judgements are appropriate.

Our audit report

Our audit opinion will refer to the significant weaknesses identified in respect of value for money arrangements (as detailed from page 22 onward).

As detailed on page 15, our opinion will include a limitation of scope in respect of NNDR balance sheet amounts.

Significant risks
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 other land and buildings of £348.4m (PY: £280.1m) and investment property of £87.7m (PY: £89.6m) at 31 March 2021 which are required to be recorded at current or fair value at the balance sheet date. The property portfolio is divided into five key asset categories. The Council's practice is to obtain a specific valuation on one of the five asset categories at the start of the year on a cyclical basis. This approach leads to the full asset portfolio being evaluated within each five-year period. For 2020/21, the in-scope section of the portfolio for full revaluation is the specialised properties such as leisure centres, libraries and car parks. In addition to this specific exercise the Council also obtains advice as to whether there has been a material change in the period up to the balance sheet date based on indices. For Other Land and Buildings and Surplus Assets, there is both the roll forward of the assets valued at the start of the year and an assessment of whether all assets not revalued in the year could have moved materially and need to be adjusted. Both areas have been considered in the audit. Any changes based on index factors are then applied to the total asset base. Investment properties are revalued to fair value every year.
Deloitte response and challenge	Our response to the risk includes: • Testing the design and implementation of key controls in place around the property valuation, including how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation; • Obtaining an understanding of the approach adopted to the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used; • Testing a sample of inputs to the valuation for testing; • Using our valuation specialists, Deloitte Real Assets Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets. This included the population of property not directly revalued in the year; • Testing a sample of revalued assets and reperformed the calculation of the movement to be recorded in the financial statements to check that it was correctly recorded; and • For assets which had not been revalued by KCC, our valuation specialists reviewing the indexation values suggested by KCC and challenging their appropriateness. Based on the index values, management has calculated the impact since the last revaluation as £20.3m, a £1.6m movement in year after an £18.7m adjustment posted in the final 2019/20 financial statements. This movement has been adjusted for in the updated financial statements.
Findings and conclusions	A £7.2m overstatement of PPE was identified due to an error in transfers between assets under construction and operational assets and its interaction with revaluations. We have also identified an overstatement of the valuation of one property of £1.0m. These have been corrected in the updated draft financial statements. We have identified control deficiencies relating to property valuations which are set out in control observations section. We are awaiting responses from management on queries raised on the indexation adjustments made for the year, and the results of their consideration of subsequent events (including investigation of whether any instances of Reinforced Autoclaved Aerated Concrete (RAAC) in the Council's estate), which may result in the identification of further misstatements. We will update you orally on findings from this at the committee.

Significant risks (continued)

Capital expenditure

Risk identified	As part of the Medium-Term Financial Strategy, the Council has a substantial capital programme of £233m over the next four years. The capital programme included £56.6m spend budgeted for 2020/21. The accounts disclose capital additions of £23.5m for the year, and a further £3.6m on revenue expenditure which, for funding purposes, is treated in the same way as capital expenditure (REFCUS) in 2020/21. Determining whether expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. As capital expenditure is depreciated over time and the council has greater flexibility over the use of revenue resource compared to capital resource. There is therefore an incentive for officers to misclassify revenue expenditure as capital to enhance financial performance results. We therefore identified a risk that revenue expenditure is classified as capital expenditure as a fraud risk in the financial statements.
Deloitte response and challenge	Our response to the risk included: • Testing the design and implementation of controls around the capitalisation of costs; • Selecting a sample of capital items (including REFCUS) in the year to test whether they have been appropriately capitalised or expensed in accordance with the accounting requirements. The sample included assets under construction; and • In our audit plan, we noted that as spend has come in lower than budgeted we would also consider repairs and maintenance accounts in the CIES where material to a significant risk level. We did not identify any significant repairs and maintenance expense balances beyond the REFCUS figures, with an immaterial total value, and so have not included this in our significant risk testing.
Findings and conclusions	Our testing in this area is complete. We have identified control deficiencies on capital expenditure, which are included in the control observations section of the report. We have identified • a projected misstatement a £0.7m cut off error in respect of REFCUS, • a misstatement of £1.7m in respect of expenditure incorrectly capitalised in the prior year, and written off in the current year (so incorrectly impacting the current year income statement, and • a misstatement of £1.4m for capitalisation of infrastructure expenditure with a useful life of less than a year. These have been included in our schedule of unadjusted misstatements.

Significant risks (continued)
Management override of controls

Risk identified	In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for officers to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions. The most significant accounting estimates in the financial statements are discussed separately in this report over valuation of the Authority's estate, and pension valuations. (Our audit plan noted that capital expenditure could also involve accounting estimates, but we did not note significant estimation in our testing of capital expenditure balances). Our testing of these accounting estimates is detailed on the relevant pages of the report. We discuss below findings from testing of other accounting estimates.
Deloitte response	*Journals* We have performed design and implementation testing of the controls in place for journal approval, and noted control findings in respect of this as set out which are included in the control observations section of the report. We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest. We responded to the control findings identified through additional consideration of data analytic reports to identify whether any anomalous patterns or exceptions to change our journal selections or for other investigation. We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. *Significant accounting judgements and estimates* We have performed design and implementation testing of the controls in place on accounting estimates, and noted control findings in respect of this in respect of monthly management accounts reviews, balance sheet reconciliation processes, debtor provisioning as set out in the control observations section of the report. 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. We have detailed our testing and findings in respect of the principal accounting estimates over property valuations and pensions on the relevant pages of this report. We note that there have been significant increases in the provision in respect of NNDR balances, which there was an incentive to increase during 2020/21 (rather than having risk of adverse movements in subsequent periods) due to the interaction of government compensation arrangements in respect of Covid. • The allowance for NNDR debtors increased by £5.4m to £6.4m on debtors at 31 March 2021 of £8.1m (on a total collection fund basis). This reflected a change in the methodology on the advice of external consultants to an approach that did not take account of the actual level of debtors, and instead estimated recovery by reference to the original billed rates amounts. Although there were challenges in estimating allowances for debtor recovery at 31 March 2021, we have identified issues in the methodology adopted– in principle, it could even require a negative provision, depending on the actual debtor level. Based on outstanding arrears at July 2023, we estimate the maximum supportable provision (for all debt not yet collected) to be £3.4m, resulting in an overprovision of at least £2.9m, of which RBWM's share is £1.4m, which we have included in our schedule of unadjusted misstatements.

Significant risks (continued)
Management override of controls (continued)

Deloitte response *Significant accounting judgements and estimates (continued)*

- The NNDR appeals provision (for the collection fund as a whole) has increased by £12.8m from £1.4m to £13.8m, of which RBWM's share is an increase of £6.3m to £6.7m. The Council used Analyse Local as expert to review their risks from NNDR appeals. The increase reflects both revisiting a historically relatively lower level of provision than for other councils, and the increased level of appeals claims during the pandemic (certain of which have been excluded due to legislative changes that limit the basis for appeals). Our initial testing of this provision indicated that this balance is overprovided, with only £0.9m of the £2.8m provision for the selection of large appeals balances being required based on eventual results. We requested management perform further investigation of the results of completed appeals, based upon which we have estimated a total misstatement of £6.1m, of which RBWM's share is £3.0m. We have included this in our schedule of unadjusted misstatements. We have also identified a misstatement of £0.3m (in RBWM's share) due to the double counting of some cases within the data used for the calculation of the appeals provision.

With respect to other debtor provisions:

- The allowance for housing benefit overpayment debtors has increased by £1.7m to £2.5m on debtors at 31 March 2021 of £4.0m. Based on recovery to July 2023, we estimate that the original allowance was overprovided by at least £1.2m.
- The allowance for council tax debtors increased by £0.2m to £1.6m on arrears at 31 March 2021 of £7.6m (on a total collection fund basis). Given arrears at July 2023 remained £4.5m in respect of balances up to 2020/21, this indicates a potential under-provision. If there were no further recovery (and historically there has been some on-going recovery of aged council tax arrears), the original provision could be underprovided by up to £3.0m, of which RBWM's share would be £2.4m.
- For loans and debtors from exchange transactions, the Council is required to consider whether any allowance required for expected credit losses (ECL) under IFRS 9, Financial instruments. We have identified an estimated misstatement of £0.5m in respect of the loan to Achieving for Children, reflecting the net liability position of that entity (even before impact of pension liabilities). The overall increase in RBWM's debtor provisions (including RBWM's share of collection fund provisions) is £4.2m from £5.2m to £9.4m at 31 March 2021. The net impact of the differences noted in respect of debtor provisions is c£0.7m for RBWM's share, though we note that the actual under-provision for council tax debtors could be smaller, and overprovision for NNDR debtors and Housing Benefit overpayments be smaller, which would increase this net impact.

We have raised control findings in respect of review of the approach to debtor provisioning, as set out in the control observations section of the report

We have recommended management includes additional disclosure in the Key Sources of Estimation Uncertainty note in respect of the appeals provision and allowances for debtor balance recoverability, which have been included in the updated financial statements.

With respect to other accounting estimates:

- The Council recognised a provision of £0.4m for restructuring costs, which did not meet the requirements of IAS 37 for the recognition of a provision at 31 March 2021. We have included this in our schedule of unadjusted misstatements and included a control finding in the control observations section.

Significant and unusual 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 risks (continued)

Management override of controls (continued)

Overall challenge	• We have considered the overall sensitivity of judgements made in preparation of the financial statements and note that the Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were understood. • We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements. • We have considered whether the conditions resulting from Covid-19 impacted the level of risk of fraud and adjusted our audit procedures accordingly.
Findings and conclusions	As noted above, we have identified a number of misstatements in respect of accounting estimates, as included in our schedule of unadjusted misstatements, and a number of control observations in respect of journal controls and controls over accounting estimates. While we have not identified indications of fraudulent financial reporting, with the NNDR provisions discussed above being based on professional advice, there has been an overall increase in the level of prudence in the estimate made (including through adoption of an inappropriate methodology for NNDR debtors), which aligned to incentives for the council at 31 March 2021. Our audit work is complete, subject to any matters arising from the finalisation of work on property valuations discussed above.

Other areas of audit focus

Limitation of scope over National Non-Domestic Rates debtor and creditor balances

Issue	As billing authority, the Council is responsible for the collection of council tax and rates on behalf of itself, other authorities, and central government. The Council recognises its own share of collection fund related debtors and creditors, and shows the net balance receivable from/due to other bodies for their share of collection fund balances. At 31 March 2021, the Council's Collection Fund debtor balance included £0.9m of NNDR debtors (net of provisions) for RBWM's share, and £24.6m due from other bodies (primarily amounts due from government to compensate for covid-related reliefs, which we have been able to test recoverability of but not final valuation. The creditor balance included £6.2m for RBWM's share of amounts due to tax payers (e.g. for refunds) and other adjustments. Due to system limitations, the Council has been unable to provide a breakdown of the NNDR-related debtor and creditor balances as at 31 March 2021. We have therefore not been able to perform testing on these balances, including testing post year-end recovery of debtors.
Deloitte response and challenge	This represents a "limitation of scope" upon our audit on these balances. This also affects related balances that would be affected by errors in these balances, which would affect the amounts reported in the Collection Fund note for NNDR balances, and the Collection Fund Adjustment Account in reserves. We will therefore issue a qualified opinion on the Council and group's financial statements in respect of this limitation of scope.

Other areas of audit focus (continued)

Valuation of Pension liability

Risk identified	The net pension liability balance of £333.6m (2019/20:£252.8m) is a material element of the Council's balance sheet. The Council is both the administering authority and is an admitted body of the Royal County of Berkshire Pension Fund. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore, there are financial and demographic assumptions used in the calculation of the Council's valuation – e.g., the discount rate, inflation rates, and mortality rates. These assumptions are required to reflect the profile of the Council's employees and need to be based on appropriate data. Whilst we have not identified a significant risk in relation to this area, there is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not calculated on the correct basis.
Deloitte response and challenge	We used our actuarial specialists and our pension fund team to inform our work in this area. Our procedures to address this risk are now complete and were as follows: • Testing the design and implementation of controls around the review of the valuation; • Obtaining a copy of the actuarial report for the Council Pension Fund produced by Barnett Waddingham, the scheme actuary, and agreeing in the disclosures to notes in the accounts; • Assessing the independence and expertise of the actuary supporting the basis of reliance upon their work; • Reviewing and challenging the assumptions made by Barnett Waddingham, including benchmarking against our expected range of assumptions at 31 March 2021; • Assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements; • Performing substantive analytical procedures on movements; and • Reviewing the disclosures within the accounts against the Code. We have made suggestions for improving pensions disclosures in future (including on responses to the changes to inflation measures from 2030, and sensitivity analysis on key assumptions), but do not consider these to be disclosure deficiencies.
Findings and conclusions	The work performed by our actuarial specialists in relation to the Council only actuary report has concluded satisfactorily. The Council has not adjusted for a potential impact of the Goodwin case on its pension liability (assessed by Deloitte Actuary) of £1.0m as at 31 March 2021 and between £0.5m - £1.0m as at 31 March 2020 – the Council has followed the approach recommended by the pension fund actuary. This has been included in our schedule of uncorrected misstatements. Our testing in this area is complete.

Other areas of audit focus (Continued)

Impact of the Covid-19 pandemic on reporting and other areas of our audit

Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors issued a practice alert, because of which valuers identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This practice alert was withdrawn in September 2020. Valuation reports at March 2020 typically identified a need to consider potential impairments in future periods, and this year's valuations, including the separate report on assets not valued in the year prepared by the Council's valuer, may reflect more significant movements. The Council included disclosure of a material valuation uncertainty in its 2019/20 financial statements. The Council has considered the approach to its valuation (including any changes because of the pandemic). The Council's valuer did not identify a material valuation uncertainty at 31 March 2021, and the Council has concluded additional disclosure is not required. The Council has also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2021 and no issues have been identified from this.
Expected credit losses on debtors from exchange transactions and loans	For debtors arising from exchange transactions and loans consideration is needed of the impact on the required level of provision for expected credit losses under IFRS 9. As discussed on page 13, we have identified misstatements in the allowance for ECL for exchange debtors and loans to Achieving for Children (£9m), which is in a net liability position. We have raised a control deficiency in respect of the council's assessment of expected losses.
Bad debt provisions for taxation related debtors	As discussed on page 13, the Council has increased its level of provisioning for non-exchange debtors (council tax and NNDR debtors). The appropriate level of provisioning at 31 March 2021 was more judgemental than usual due to the circumstances of the pandemic, and we have noted misstatements and control recommendations in respect of this.
Narrative and other reporting issues	We have considered how the Council has reflected the impact of the pandemic in its reporting, including: • Narrative Report - discussion of the impact on services, operations, performance, strategic direction, resources and financial sustainability. Ensuring that this reflected the significant financial challenge that the Council has experienced; and • Accounts disclosures on the impact on judgements and estimation uncertainty.
Events after the reporting period	The Council is required to consider whether any matters arising subsequently to year-end represent adjusting post balance sheet events. Our testing in relevant areas of the audit have included inquiry and challenge in respect of subsequent events. As noted above, based on subsequent experience, we have proposed adjustments to provisions for non-exchange debtor balances (which are not accounted for under IFRS 9). Management has confirmed that direct exposure to events in Russia and Ukraine is small and a representation will be included in management letter in relation to this. We have requested management prepares a paper setting out their assessment of the impact of subsequent information upon the amounts recorded within the financial statements, including the results of their consideration of whether any presence of RAAC in non-school properties.

Other areas of audit focus (Continued)

Recognition of Covid-19 grants

Risk identified	During 2020/21, the Council received funding in relation to Covid-19 grants of £84.8m, including amounts received in respect 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 The key judgements for management are assessing: • Any conditions associated with the Covid-19 grants (i.e. conditions which would lead to a requirement to repay/defer recognition of elements of the grant funding); and • 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. Whilst we do not identify a significant risk in relation to this area, there is a higher risk relating to completeness, accuracy, occurrence and disclosures of Covid-19 grants.
Deloitte response and challenge	We have assessed the design and implementation of the controls in relation to the accounting treatment of Covid-19 related funding and identified control weaknesses and associated recommendations in respect of this. We have tested a sample of funding for Covid-19 grants and confirmed that these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet. We have considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgements and key sources of estimation uncertainty disclosures. We have considered the completeness and accuracy of disclosure of grants where Council acted as Agent. We have 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.
Findings and conclusions	We have recommended improvements in the disclosures around Covid grants, which have been updated in the latest financial statements. We have identified control recommendations in respect of controls over grants, which are included in the controls observations section.

Other areas of audit focus (Continued)

Restatement for accounting for a property disposal

Restatement for accounting for a property disposal	The Council signed an agreement to transfer a non-current asset in York Road, Maidenhead to Countrywide Properties UK Ltd (the developer) in the 2018/19 financial year under a long leasehold. The developer agreed to pay the Council £7,632,310 for the transfer of the non-current asset with the payments arranged as: •A deposit of 10%, £0.8m, paid in the 2018/19 financial year •The balance of £6.9m to be paid in instalments as each of the 85 apartments sold, with a backstop date for full payment The Council has accounted for the payments received from the developer as capital receipts in the year that they were received, instead of accounting for the transaction as an overall transaction (which would be a finance lease "disposal"). This means only the deposit was recognised in 2018/19, and due to delays in the project during Covid the majority of the payments (£4.3m) remained outstanding at 31 March 2021. The correct accounting treatment for the Council would have been to recognise the full value of the disposal in the year that the agreement was entered into and then recognise the cash amounts received as capital receipts and the amount remaining outstanding as a receivable (which for reserves purposes would then be treated as a deferred capital receipt). In subsequent years, as instalment payments were made, the sums would be transferred from the deferred capital receipts reserve (DCRR) to the capital receipts reserve. In assessing whether to account for the transaction as a disposal, management has made a judgement that this is a finance lease rather than an operating lease. The Borough has adopted an accounting policy that there is a rebuttable presumption on the premise that long term land leases, typically greater than 110 years, and long-term building leases, typically greater than 50 years, are accounted for on the basis of finance leases. Receipts, where the Borough is acting as lessor in finance lease arrangements, will be accounted for as capital receipts. The judgement has been disclosed on note 4 of the financial statements, and we concur this is appropriate in the context of the transaction. As the issue noted impacts on prior periods, management has proposed to restate the comparative financial statements to recognise the £6.9m receivable.
Deloitte response and challenge	We are completing required internal consultations on the adequacy of disclosures in respect of the restatement. We note that the structure of the transaction with delayed payment means that the receivables should be discounted to reflect the timing of payments. The nature of payment as apartments are sold means that management do not consider this practical to determine, and the impact on the financial statements of this is immaterial due to the size of the balance. We have included an estimate of the impact of this of £0.7m in our schedule of unadjusted misstatements, though note that this depends on assumptions on interest rates and timing of payments. We have not proposed a separate control recommendation in respect of this, as there are other findings on accounts preparation and review and preparation of accounting papers for complex transactions.

Other areas of audit focus (continued)
Infrastructure assets

Background	Our Report to the Corporate Overview & Scrutiny Panel on the audit for the year ended 31 March 2019 noted weaknesses in the Council's recording of infrastructure assets. During the finalisation of our 2019/20 audit, a number of related issues around infrastructure assets were noted nationally, which were the subject of extensive discussions led by CIPFA and DLUHC to seek a solution to the issues identified. The CIPFA Code envisages that councils will adopt a componentised approach to infrastructure assets, and for example, when road resurfacing occurs will be able to derecognise the existing surface component and recognise a replacement component. In practice, councils typically do not componentise infrastructure assets in this way, do not hold information sufficient to readily do so, and so do not record disposals of infrastructure assets. At a minimum, this means that there will be some level of overstatement of the gross cost and accumulated depreciation for users. However, even if this is quantitatively material, overstatement of this disclosure (which has no net impact on the financial statements) does not affect the users of the financial statements or their decision making. Accordingly, a statutory override was introduced in December 2022 which removed the disclosure of gross values as not relevant to users, with infrastructure assets presented separately from other assets. RBWM applied this statutory override in the 2019/20 final financial statements and has updated the 2020/21 financial statements to follow this approach. There is also a risk that councils are not applying appropriate useful economic lives to infrastructure assets (and may not have adequate records to enable them to adjust their accounting). In some cases, councils appear to have adopted unrealistically long asset lives. More widely, where councils are not componentising assets, this requires an appropriate overall asset life to be applied so that effectively shorter-lived elements of assets are fully depreciated before replacement and longer-lived elements of assets are less depreciated as part of an overall blended useful economic life.
Application to RBWM	In response to our 2018/19 findings, management reviewed the asset lives used for infrastructure assets (which had historically all been depreciated over 25 years), and determined new asset lives to apply to infrastructure assets (with various amendments to their initial approach following audit challenges as reported on in our final report on the 2019/20 audit). These revised asset lives had not been applied in preparing the 2019/20 or 2020/21 financial statements. We requested management perform an analysis of the impact of applying the revised asset lives prospectively 2019/20 (in accordance with IAS 16 provisions for changes in asset life assumptions). This noted one significant variance to the approach applied in later years for a bridge asset and suggested a £3.5m overstatement of assets as at 31 March 2021. Although the timing of full depreciation of these assets (inherited from the previous authority on the creation of the Council) is judgemental, management's assessment going forward is that they should be fully depreciated. In response to the wider challenges on infrastructure assets, we considered the approach adopted, and noted that: a) although there is scope for improvement in the asset register, RBWM has relatively disaggregated information in its fixed asset register, enabling it to review its accounting; b) the asset lives adopted are appropriately supported, and are short enough that there is not a risk of material overstatement of net book value for disposals; c) the adoption the statutory override to disclosures is appropriate.
Findings and conclusions	Our audit work on infrastructure is complete subject to completion of quality assurance reviews. The analysis of depreciation rates used vs expected rates has indicated a £4.1m difference in carrying value, which management has adjusted in the updated draft accounts. In the prior period, we identified that £0.8m of road repairs had been capitalised where the useful economic life is less than one year and should not be capitalised. The current year equivalent value is £1.4m which we have included in our schedule of unadjusted misstatements. The Council will need to consider national guidance on improving infrastructure asset record keeping as and when a longer-term approach is proposed nationally.

Other areas of audit focus (Continued)

Restatement of cash and investment balances held for other entities

Restatement of the presentation of cash and investment balances held for other entities.	The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership, as disclosed in note 43 to the financial statements. The Council has historically netted the amount due to the entity against cash or investments held. During the current year, the Council's cash and investment balances were lower than amounts held for other bodies, as cash had been used to fund Council capital expenditure rather than borrowing from other sources, and the amounts due to the Local Enterprise Partnership and other bodies have been presented as borrowings rather than netted off. Following review of the arrangements and whether identifiable investments on behalf of other bodies, the Council restated the comparative financial statements to consistently show cash and investments held in Council accounts as assets, and a related liability in borrowings. The impact of the restatement is • At 31 March 2019, to increase cash balances by £14.3m, investments by £8.1m, and borrowings by £22.4m. • At 31 March 2020, to increase cash balances by £34.8m, reduce investments by £0.6m (due to reclassification to cash on review), and increase borrowings by £34.2m.
Deloitte response and challenge	We have reviewed the underlying cash and investment balances affected to check whether investments held by the Council or in name of the other entity, and to consider the treatment of the principal entities affected. We have tested the adjustments for the restatement, including the related disclosures in the financial statements. We have recommended the Council put in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements We are completing required internal consultations on the adequacy of disclosures in respect of the restatement.

Accounting for transfers of assets to RBWM Property Company Ltd

Accounting for transfers of assets to RBWM Property Company Ltd	The majority of assets transferred from the Council to RBWM Property Company Ltd have been transferred for £1 consideration to the subsidiary (which is not unusual within groups, although for Councils requires approval from the Secretary of State). The Council has historically treated these as disposals for £1 consideration in its entity only accounts, recognising a valuation loss prior to the transfer of the carrying value of the assets. The correct accounting for these transactions would be to derecognise the property asset, and recognise an increase in the investment value in RBWM Property Company Ltd. (This would then be subject to consideration of impairment if the value of the investment in the company did not support the revised carrying value in future). Management has processed the adjustment of £3.2m for the value of the assets transferred in the current year of which £2.3 million relates to prior year.
Deloitte response and challenge	Our schedule of uncorrected misstatements includes a £2.3m prior year error in respect of this. However, as this is not material, we would not expect this to be restated for unless material in aggregate with other items. Our work in this area is complete

Value for money

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; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

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;
- Considered the potential impact of matters identified in previous audits;
- Reviewed the Council's draft Narrative Report, Annual Governance Statement, and relevant Council papers and minutes.
- Reviewed reports into governance arrangements at the Council produced by outside parties, including the CIPFA report issued in June 2020, the report into governance at the Pension Fund issued in July 2020, and Local Government Association Corporate Peer Challenge report issued in January 2022 with follow up report issued in October 2022, together with action plans and internal reporting of progress against actions.
- Reviewed financial planning and monitoring documentation including budget setting reports, in year monitoring reports, and the Medium-Term Financial Strategy and Medium-Term Financial Plan;
- Made enquiries of senior officers;
- Reviewed reports issued by internal audits;
- Considered matters arising from the Pension Fund audit (which would be reflected in the main Statement of Accounts opinion if matters to report);
- Considered findings identified through our other audit procedures;
- Considered matters identified by the National Audit Office for auditors to consider in the value for money work for 2020/21;
- Considered local and sector developments and how they impact on the Council; and
- Considered the impact of potential objections received on the accounts to our value for money work.

Findings and conclusions

Based on our procedures, we identified three risks of significant weakness. Our responses to these risks, and conclusions upon each risk and recommendations in respect of the matters which are identified as significant weaknesses, are set out on the following pages.

We have included on pages 30-31 our wider observations in respect of the Council's financial sustainability, beyond our considerations of the arrangements in place during 2020/21.

Value for money (continued)

Risk of significant weakness in arrangements

Risk title	Arrangements for planning finances
Relevant VFM criteria per AGN03	*Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services* • *How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them*
Risk description	In 2019/20, we concluded that there were significant weaknesses in the Council's arrangements with respect to planning its finances effectively to support the delivery of strategic priorities, and maintaining its statutory functions. This was due to: • Weaknesses identified through the CIPFA independent review of financial governance arrangements, including in the Medium-Term Financial Strategy (MTFS), treasury management strategy (and its compliance with relevant guidance and the legislation governing these documents), budget setting, budget monitoring against performance, the capital strategy, and the updated capital programme; • Our audit findings which included arrangements for understanding and using appropriate and reliable financial information to monitor performance, and support informed decision making and financial planning; • An overspend of the Council's revenue budget of £2.4m (excluding the impact of Covid-19); and • The level of the Council's usable reserves being at the lower end of the range when benchmarked against other similar Councils. We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.
Work performed	• We have reviewed the CIPFA Report issued in July 2020, which concluded that the actions taken by that point had addressed the principal issues in this area in setting the 2020/21 budget in February 2020, which then has been monitored against during 2020/21. • We have reviewed the Annual Governance Statement and other documentation in respect of the Council's arrangements in year and performance in monitoring and planning finances (in the highly unusual context of the Covid-19 pandemic). • We have reviewed the financial outturn against budget for 2020/21, the budget setting process for 2021/22 in February 2021, and outturn during 2021/22. The Council had an underspend in 2021/22 of £2.4m, which resulted in an increase in the usable reserves balance. The main reason for the underspend related an underspend of a Covid-19 budget that was gradually released in the year. • We have reviewed the updated MTFS and considered it in the context of budget setting and budget monitoring. The Council has clearer linkages in reporting and monitoring between the MTFS and monitoring which was demonstrated in the reports to the relevant committees. • We have reviewed the updated Treasury Management Strategy (including the mid-year update, and its compliance with guidance), the updated Capital Strategy, and the updated capital programme. All three have been improved following the findings of the CIPFA review and have incorporated the wider objectives of the Council, including linkage to the transformation plan which demonstrates an improvement in the planning for the Council's finances.

Value for money (continued)

Risk of significant weakness in arrangements

Risk title	Arrangements for planning finances			
Conclusion	We have not identified a significant weakness in the arrangements for planning finances in respect of 2020/21. As discussed on pages 30-31, the wider economic environment has significantly changed since 2021, which, together with on-going demand pressures on services (particularly social care) has resulted in the Council forecasting an overspend in 2023/24 and 2024/25. The overall financial position of the Council, with relatively higher borrowings due to capital programmes, relatively lower level of council tax income, and relatively low funding levels in the Pension Fund, increase its exposure to these pressures. The Council highlighted the risk of a Section 114 notice if the forecast overspend is not addressed as part of their 27 September 2023 Cabinet meeting. Therefore, although we have concluded that there was not a significant weakness in the Council's arrangements in this area for 2020/21, we will consider as part of our work in future years whether there are weaknesses in how the Council responded to, and on an on-going basis planned for, the developing pressures upon local authority financial sustainability.			
Conclusions	**Does a weakness exist in the current year?** No - as set out above we have concluded that there is not a significant weakness.	**Is a recommendation required in the current year?** No – no recommendation has been given as no significant weakness has been identified.	**Has this matter be referred to in our audit opinion?** No – as no significant weakness has been identified, it will not be referred to in our opinion.	**Will this matter be referred to in our Auditor's Annual Report?** Yes – we will discuss the identified risk and our conclusions within our VfM commentary, together with our wider observations in respect of financial sustainability.

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control
Relevant VFM criteria per AGN03	*Governance: how the body ensures it makes informed decisions and properly manages its risk* • *How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.*
Risk description	In 2019/20, we concluded that there were significant weaknesses in the Council's arrangements with respect to reliable and timely financial reporting and maintaining a sound system of internal control. This reflected that: • a number of significant control recommendations made following the prior year audit had not yet been implemented by the Authority and the Pension Fund, with further significant deficiencies in internal control identified in the 2019/20 audit; and • whilst the Council had taken action in accordance with its action plan to respond to the findings of the CIPFA review, not all recommendations had been implemented in the period, with on-going review into 2020/21. We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.
Work performed	• We reviewed the 2020/21 draft Annual Governance Statement, which highlighted a weakness in arrangements in relation to 'implementing good practices in transparency, reporting, and audit, to deliver effective accountability'. • We reviewed the progress against the action plans in response to the CIPFA Review. Although progress was made in the year against the action plan, a number of actions in this area were not fully complete during the period (such as reporting debt management in budget monitoring reports and reviewing bad debt provisions on a regular basis), or only completed late in the year (such as the improving management of the capital programme, and improving the understanding of the impact of decisions on financial sustainability and wider aims of the Council). • We considered the control findings identified during previous periods that had not yet been addressed during 2020/21, and the additional significant control findings identified in our audit of the 2020/21 accounts, set out in our Audit & Governance Committee Report. • We considered our observations on the quality of the draft financial statements and working papers presented for audit. As noted elsewhere in this report, there were significant issues with the quality, timeliness, and accuracy of the information provided, and material misstatements identified in both the 2019/20 and 2020/21 financial statements.

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control (continued)			
Conclusions:	We have concluded that here is a significant weakness in the Council’s arrangements for reliable and timely financial reporting and maintaining a sound system of internal control As required by the Code of Audit Practice and Auditor Guidance Note 03, Value for Money, we have made recommendations below, which reflect on-going actions taken since the period.			
	Does a weakness exist in the current year? Yes - there is evidence of a significant weakness in the Council’s governance arrangements.	**Is a recommendation required in the current year?** Yes – recommendations have been set out below.	**Will this matter be referred to in our audit opinion?** Yes - the significant weakness identified will be referred to in our audit opinion	**Will this matter be referred to in our Auditor’s Annual Report?** Yes - we are required to include conclusions and findings within our VfM commentary.
Recommendation	We recommend: • The Council undertakes a detailed review of the capability and capacity in the finance function, including the capability and capacity to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit, and sufficient capacity and capability to respond to audit queries during the audit period. This should include training of finance function and other functions that input to the financial reporting process on the adequacy of information prepared and retained to support the accounting entries, a detailed review of the control framework for financial reporting which includes implementation of internal and external recommendations, and review and implementation of improved quality control arrangements over the preparation of the statement of accounts and supporting work papers; • The Council continues to progress actions to address other control recommendations we have reported for both the Authority and Pension Fund raised in both the current year and prior years, and, where already implemented, to maintain and monitor the process improvements and control changes; and • Following completion of implementation of the Council’s action plan to respond the CIPFA Review of Financial Governance, the Council ensures on-going maintenance and monitoring of the operation of the new processes and procedures.			

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Governance arrangements in respect of informed decision making and risk management
Relevant VFM criteria per AGN03	*Governance: how the body ensures it makes informed decisions and properly manages its risk* • *How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee*
Risk description	In 2019/20, we concluded that there were significant weaknesses in the Council's governance arrangements (including in respect of the Pension Fund) with respect to arrangements for acting in the public interest through demonstrating and applying the principles and values of sound governance. In particular: • The pensions governance review noted a disconnect between the pension fund and the council with no regular reporting. The report also made several recommendations that highlighted weaknesses in arrangements relating to the size and membership of the relevant Boards, Panels and Group; the level of involvement and training of individuals within those governance structures; and the adequacy of recording and reporting of discussions and decisions made within those governance structures, as well as a number of other recommendations in respect of the Pension Fund; and • The Council's Annual Governance Statement drew attention to weaknesses in a number of other areas, including: a lack of organisational capacity in key areas; a lack of clarity from officers and members with regard to their roles, responsibilities and the associated required procedures; a culture within the organisation that did not encourage people to speak out or properly exercise their roles as advisors; non-compliance with public sector network requirements due to the significant investment needed in IT infrastructure and on-going work on the IT strategy and implementation; and weaknesses in financial governance including robustness of challenge of business cases and benefit reporting, weaknesses in procurement and contract management. We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.
Work performed	• We reviewed progress against the 2019/20 Annual Governance Statement action plan, and the 2020/21 draft Annual Governance Statement and related action plan (which included further actions required in respect to 'Behaving with integrity, demonstrating strong commitment to ethical values and respecting rule of law', 'Ensuring openness and comprehensive stakeholder engagement', 'Developing the entity's capacity, including the capability of its leadership and the individuals within it', 'Determining the interventions necessary to optimise the achievement of the intended outcomes', 'Managing risks and performance through robust internal control and strong public financial management', and 'Implementing good practices in transparency, reporting and audit to deliver effective accountability'). • From our review of the progress against the 2019/20 Annual Governance Statement plan, we note the Council made significant progress in the 2020/21 year including a revision of the roles and responsibilities of officers and members including knowledge of appropriate procedures, workshops on good governance, a new code of conduct, establishment of a Capital Review Board, external training, initial reviews of organisational capacity in key areas and circulation of reports to key officers prior to publication to ensure stronger decision making. A number of actions were not completed until 2021/22 per management action trackers, which we will consider in further detail in our 2021/22 VfM work, which included training on interactions and behaviours between members and officers, further independent reviews around partnerships (noting Optalis and AFC were underway), delivery of a new Corporate Plan and filling the organisational capacity gaps in key areas.

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Governance arrangements in respect of informed decision making and risk management
Work performed	• The actions in the 2020/21 Annual Governance Statement plan were identified as actions for future periods, and so had not been implemented in the period. Management's action tracker against this plan shows progress during 2021/22 (which we will consider in our 2021/22 VfM work), including the completion of a new Corporate Plan, development of a new performance management framework, review of risk management arrangements and further training for the Overview and Scrutiny panels. Management considered the remaining actions to be completed by the end of 2022, which included the implementation of the leadership development programme, and improvements in the Council's governance of over RBWM Property Company Ltd. • We reviewed progress against the pension governance review action plan, and noted that 14 of the 21 recommendations were addressed in the 2020/21 year including reducing the size of the Pension Fund Advisory Panel, abolishing the Pension Fund Panel Sub-Committee (investment group), putting in place a control that governance changes are approved in line with the Council's Constitution and all meetings are properly clerked and minuted, with minutes checked before publication. Management's action tracker (which we will consider in subsequent year's VFM work) shows that of the remaining seven recommendations five were actioned by the end of 2021/22, including the appointment of a new post for a Head of Pension Fund (to drive further improvements) and reviewing of the Pension Board membership, and the final two by September 2022. • We considered the findings from the Local Government Association Corporate Peer Challenge which, although taking place after the 2020/21 year, highlighted continued weaknesses in governance arrangements that were in place during the year. Areas for improvement identified included prioritising embedding the Corporate Plan across the Council including the establishment of a new performance framework which links service plans and priorities to budget and risks over the medium-term, reviewing the current model of scrutiny committees, and developing a clear and consistent framework on the role and governance of the arms-length Council entities. • We reviewed progress of actions arising from the CIPFA review which indicated that although progress had been made in addressing the recommendations raised, not all were completed until after the 2020/21 year-end. These included the review of the capital programme (to ensure there were robust business cases with clear delivery outcomes and risk management), improvements to culture in the Council, and review of the internal audit partnership arrangement. • We reviewed the changes made to capital project governance as a result of establishing the Capital Review Board. This has increased consideration of factors such as longer term funding costs and, on-going monitoring of project feasibility, compared to historic emphasis on speed of delivery to achieve regeneration aims (reflected in previous findings from the CIPFA review). The Council has also revised its capital strategy.

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Governance arrangements in respect of informed decision making and risk management			
Conclusions	We have concluded that there is a significant weakness in the Council's arrangements in respect of informed decision making and risk management. As required by the Code of Audit Practice and Auditor Guidance Note 03, Value for Money, we have made recommendations below, which reflect on-going actions taken since the period.			
	Does a weakness exist in the current year?	**Is a recommendation required in the current year?**	**Will this matter be referred to in our audit opinion?**	**Will this matter be referred to in our Auditor's Annual Report?**
	Yes - there is evidence of a significant weakness in that the Council's governance arrangements	Yes – recommendations have been set out below	Yes - the significant weakness identified will be referred to in our audit opinion.	Yes - we are required to include conclusions and findings within our VfM commentary.
Recommendation	We recommend that the Council: • Following the post year-end implementation of the action plans responding to the CIPFA Review of Financial Governance and independent review of Pension Fund governance , continue to monitor the on-going operation of the new processes and procedures. • Following the post year-end implementation of the AGS action plans put in place for 2019/20 and 2020/21, continue to maintain and monitor the on-going operation of the new processes and procedures. • Implement actions identified in response to the LGA Corporate Peer Challenge reports in 2022, and, once implemented, continue to maintain and monitor the on-going operation of the new processes and procedures			

Value for money (continued)

Financial sustainability

The financial pressures upon local authorities, together with the significant impact on the Council's operations and performance of the pandemic, have put increasing pressures on many authorities going beyond the 2020/21 period considered by this report. The government allocated emergency funding to local authorities during the pandemic, and allowed the impact of tax shortfalls to be spread, which mitigated some of the direct impact of the pandemic on local authority finances.

For 2020/21, in the context of the pandemic and the increased uncertainty applicable to planning, we have concluded that there was not a significant weakness in the Council's arrangements in this area for 2020/21. This reflects improvements that were made in the year in response to previous recommendations from us and other third parties in respect of financial planning and budgeting.

For subsequent year's audits, this may change and we may identify a risk of significant weakness in arrangements that we will conclude upon as part of those audits. This reflects both national factors including on-going pressures from the pandemic on public finances, macro-economic trends and the cost of living crisis, and specific challenges for RBWM reflecting factors discussed further below.

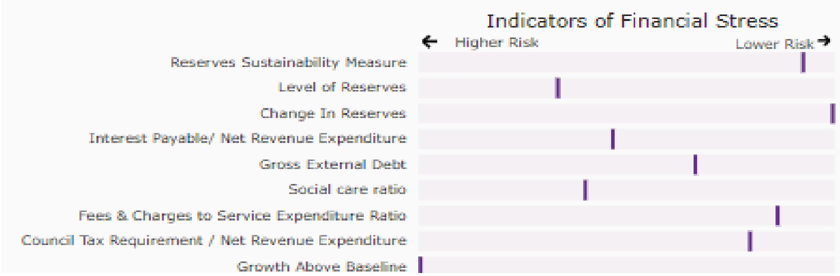
The revenue outturn for 2020/21 (including movements in earmarked reserves) was a £1.2m reduction in the general fund, followed by net increases (again after earmarked reserve movements) of £1.7m in 2021/22 and £1.5m in 2022/23 (i.e. effectively net underspends against planned movements in the general fund).

However, we note that on-going financial pressures mean that the Council is forecasting a significant overspend for 2023/24, and has a £3.7m budget gap for 2024/25 (£10.1m to 2028/29, which exceeds the Council's available reserves). The Council highlighted the risk of a Section 114 notice if the overspend is not addressed as part of their 27 September 2023 Cabinet meeting. The Council needs to focus on ensuring it has suitable plans in place to meet the demands of the services it provides and producing a balanced budget, which is more challenging in its specific financial context (of relatively lower council tax income, higher pension contributions, and relatively higher borrowings compared to other bodies).

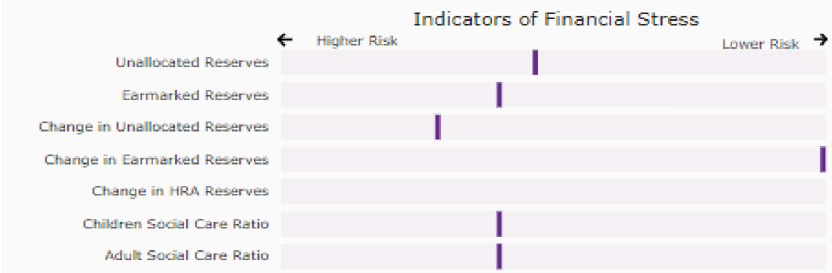
Royal Borough of Windsor and Maidenhead's position

We have included below extracts from the 2021/22 CIPFA Financial Resilience Index (the most recent available). Although this shows a "Reserves Sustainability Measure" of "100" for the Council, our understanding of CIPFA's index is that this reflects increases in reserves over the pandemic, rather than longer-term strength of the balance sheet (reflected in the level of available reserves being below average).

2021-22 Financial Resilience Index



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	100.00	100.00	100.00
Level of Reserves	23.71%	49.65%	105.90%
Change In Reserves	23.75%	246.17%	246.17%
Interest Payable/ Net Revenue Expenditure	1.28%	3.20%	10.76%
Gross External Debt	£22,058k	£190,265k	£452,672k
Social care ratio	56.51%	67.94%	77.10%
Fees & Charges to Service Expenditure Ratio	7.37%	11.86%	25.73%
Council Tax Requirement / Net Revenue Expenditure	58.46%	86.09%	89.69%
Growth Above Baseline	-3.27%	61.75%	61.75%



Indicator	Min	Indicator Value	Max
Unallocated Reserves	3.98%	9.29%	37.46%
Earmarked Reserves	15.01%	40.36%	96.35%
Change in Unallocated Reserves	-10.27%	12.54%	208.38%
Change in Earmarked Reserves	9.39%	562.92%	562.92%
Change in HRA Reserves	-52.82%	na	49.99%
Children Social Care Ratio	16.49%	22.78%	31.46%
Adult Social Care Ratio	38.77%	45.16%	51.35%

Value for money (continued)

Financial sustainability (continued)

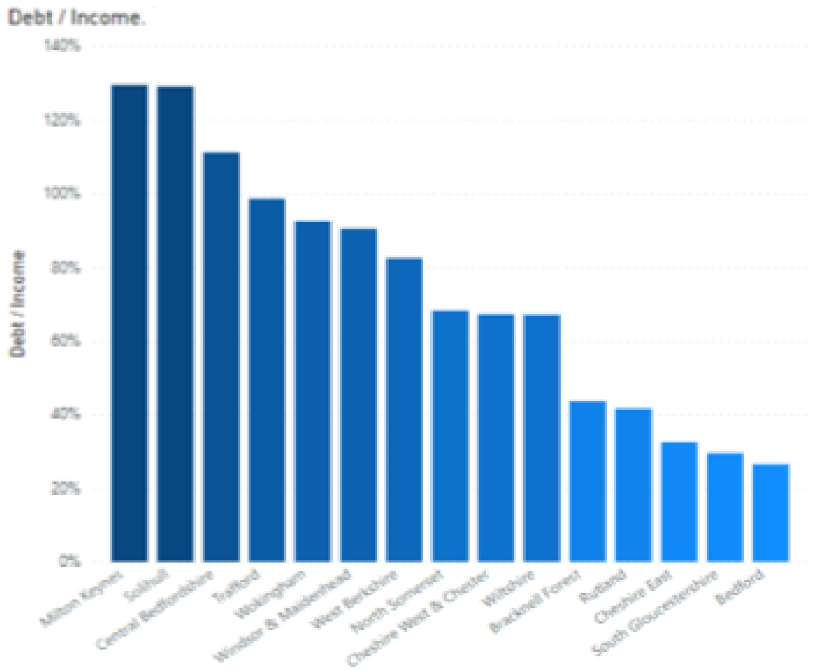
Royal Borough of Windsor and Maidenhead’s position (continued)

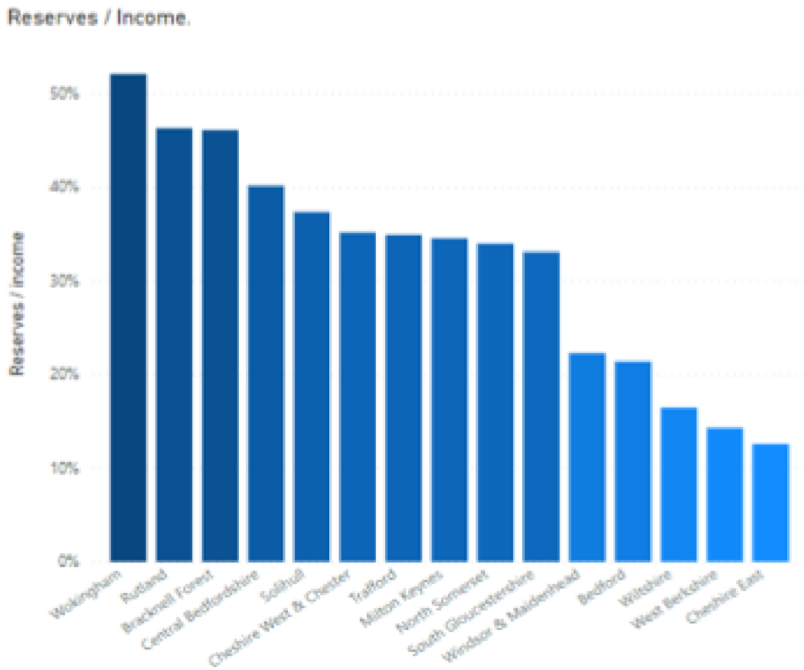
The Council’s general fund and earmarked reserves position has historically been relatively low (£13.6m at 31 March 2019), with increases during the pandemic due to the timing of receipt of support funding compared to related costs. The general fund is relatively low for the size of the Council.

Comparing to the CIPFA comparator group, while not at the extremes of the comparator group, the Council has above average debt compared to its income, and lower reserves compared to income. Factors impacting the Council’s longer-term sustainability include:

- The Council’s relatively lower level of council tax income, reflecting historic decisions not to increase council tax by the maximum permitted in previous years;
- The Council’s level of borrowing for capital programmes, which is planned to be repaid from the proceeds of development projects; and
- The level of funding of the Pension Fund, which is relatively low at 86% funded (as at the 31 March 2022 actuarial revaluation), which requires additional deficit contributions to restore the funding position to 100% funded. The Council also needs to fund its share of the pension deficit in its joint venture, Achieving for Children.

These factors are reflected in the Council’s Medium-Term Financial Strategy and Plan. The increasing focus upon the financial sustainability of local authorities means that this will be an area of on-going consideration in auditor’s value for money work and commentary for future periods.





Control Observations

We note that there are a large number of significant control weaknesses with respect to the financial reporting arrangements of the authority which have been identified in the current and prior year audits. Due to the timing of completion of the 2019/20 audit, not all matters identified during that audit could be addressed during the 2020/21 close process. We have reported below the status of the control observations which remained open during 2020/21, based on the position for the 2020/21 audit, and, where relevant, have indicated which have been previously reported.

We recommend that the Audit and Governance Committee asks management to prepare a paper setting out the actions that will be taken in response to these recommendations, including a further update on progress against prior year recommendations, and puts in place arrangements to assure the committee that these recommendations have been implemented on a timely basis. We may identify additional observations from the resolution of the remaining areas of the audit.

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Ranking of control observations

Red: Control findings identified in respect of areas identified through the audit as significant risk of material misstatement, significant areas relating directly to the preparation of the statement of accounts and other areas where material errors were identified during the audit — **High Priority**

Amber: Other significant control deficiencies including those to weaknesses that led to errors that were nontrivial but below our materiality threshold. — **Medium Priority**

Area	Observation	First reported	Priority
Quality of draft financial statements	The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included: • The non-receipt of a completed CIPFA disclosure checklist accompanying the financial statements subject to audit; • Material misstatements in the underlying accounting for transactions; • Inconsistencies between notes in the financial statements; • Differences between primary statements and notes; and • Differences noted during our call and cast process. Together these indicate weaknesses in the financial reporting and close process. We recommend the Council reviews the year-end reporting and close process, including: • preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council; • documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts; • review of the completed CIPFA disclosure checklist; • documented and reviewed internal checks of internal consistency; • completion of the CIPFA "pre-audit checks on draft year-end accounts" checklist; and • documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers.	December 2019	Red

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Maintenance of debtors listing (Council Tax and business rates)	Management is not able to produce council tax and Business rates receivables listing as at 31 March 2021. The main reason is that the system is a live system, and these reports were not run at year-end date. This therefore limits the ability of management to perform assessments of these listings and perform reviews which presents a significant control weakness and may impact our audit opinion. We recommend that a process is put in place to allow the retrospective running of these reports, and that copies are retained for all year-end positions.	Current report	●
Accounts closure	The Authority provided work papers in response to our audit request list for the start of the audit which we understand met the expectations of the Authority's previous auditors and were in line with what the Authority understood to be required. However, on review, we considered that a number of the work papers were not in line with what we would have expected for the audit, for example, there were challenges in mapping some work papers to the Statement of Accounts, and some work papers were not in the level of detail or format that we had expected and required for our testing. We and the finance team have worked together this year to resolve these matters, but this has taken significantly more time than anticipated. As a result, in a number of areas, it has not been possible for officers to provide information for key samples within a reasonable timeframe. Additional time has also been spent in order to understand the accounting treatment for investments in associates and the local enterprise partnerships. These issues have impacted on the achievement of the overall timetable and have led to additional audit costs in 2018/19, 2019/20 and 2020/21. We recommend that the Council considers whether there are year-end processes which can be streamlined or pulled forward to earlier in the year.	December 2019	●
Capacity and capability in the finance function and other functions to support the financial reporting and close process	The Council should undertake a detailed review of the capability and capacity in the finance function, including the capability and capacity to deliver a high quality statement of accounts and supporting work papers before the deadline for the audit, and sufficient capacity and capability to respond to audit queries during the audit period. This should include training of finance function and other functions that input to the financial reporting process on the adequacy of information prepared and retained to support the accounting entries, a detailed review of the control framework for financial reporting which includes implementation of internal and external recommendations, and review and implementation of improved quality control arrangements over the preparation of the statement of accounts and supporting work papers;	Current report	●

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Missing interest disclosure forms	In order to prepare related party disclosures and as part of controls of conflicts of interest, the Council obtains signed interest disclosure forms from "key management personnel" (which includes councillors). Not all forms were obtained during the close process, and due to a departure one form was not possible for the Council to obtain. The absence of disclosure forms for key management personnel is contrary to RBWM policies, and limits the evidence available to support completeness and accuracy of the related party disclosures. We recommend that Management should put in place measures to ensure all the interest disclosure forms from the key management personnel are completed and these should remain up to date.	Current report	●
Journal controls	During our testing of the design and implementation of controls relating to management override and specifically relating to review of journals, we noted there is no audit trail to evidence the review of the control where each month a report of the journals posted to each general ledger code area is run and passed to the responsible officer for review. We recommend that management should keep records for the review of the journals.	December 2019	●
Review of completeness of Investment properties valued by Valuers	During the audit we noted that there was no control in place to check the completeness of Investment properties in the valuation report. We recommend introducing controls over review of completeness of information provided to the valuer and also to reconcile the 3rd party valuation back to the fixed asset register, as key controls to address risks of errors and omissions in accounting for a significant accounting estimate.	March 2023	●

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Trial balance and financial statements preparation	The Council's financial statement preparation and underlying ledger and related mappings in place for the 2020/21 financial year (and applied in the initial close process) do not provide a robust audit trail to map balances to the financial statements and track adjustments, with changes hard coded in the excel accounts draft. We recommend the following: • revisiting the underlying general ledger structure to provide clear support and mapping to the principal financial statement line items; • preparing a clear consolidation schedule to support group numbers; and • maintaining a clear extended trial balance with documented rationale for adjustments made between versions of accounts (and whether updated in ledger). The Council has taken action to amend the accounts preparation process for future periods and to make changes to ledger structures to address these recommendations.	September 2022	●
No audit trail of detailed review of the revaluation journal posting	Although there is evidence of reviewer sign-off on the revaluation journal, in testing the implementation of this control we were not able to obtain evidence of the detailed review of the journal and its underlying support, including checking back to the valuer's report of the figures included in the journal. We recommend that evidence of review and challenge should be maintained as part of the audit trail for the review process. Although we understand management has planned responses to this for the 2022/23 financial statements, this was not addressed for 2020/21.	September 2022	●
Review of property valuation reports	The valuation of properties is dependent on officers' assumptions (or input from officers in forming assumptions) including the location and functional obsolescence of the existing properties and information provided by officers, including the number, type and condition of council dwellings and the floor space of schools. A paper was not prepared which set out the key assumptions, and officer's view on whether the revaluation assumptions are appropriate. There was no evidence of a documented review control by officers over the valuation report received from KCC. We recommend that a paper should be prepared and set out the review of key assumptions, and officer's view on why the revaluation assumptions are appropriate.	December 2019	●

Control Observations (Continued)

Internal control and risk management

Area	Observation	First Reported	Priority
Review of capital spending classification	The control over capital spending classification requires review of each invoice, and where there is a question over whether a particular invoice is capital or revenue this is raised through the ranks of seniority (where appropriate training has been delivered). However, the limit of the control is that the check centres on whether a given spend amount is within a budget or not (with budgets already having been pre-approved).This control would capture extra budgetary spend on a project but does not address the risk that items are inappropriately treated as capital when not meeting the requirements of IAS 16. We further identified that in the review of Capital Additions by Budget Steering Group meeting and approval by Cabinet control, there is no sufficiently detailed control at the budget approval stage to address the risk of classification. There is not a documented control which demonstrates a challenge on the capital or revenue classification of items. The meetings consider the value and worth of a project from a budget/spend perspective i.e. "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital. We recommend putting in place explicit consideration and documentation of the accounting treatment of expenditure, supported where needed by reference to the requirements of relevant accounting standards and the Code, with documented evidence of the operation of this control.	September 2022	●
Review of information provided to property valuation experts.	The accuracy of the valuation of properties is dependent on the accuracy and completeness of the data provided to the valuers. During the audit we noted that there was not an audit trail to evidence the review process on the information provided to the valuer. We recommend that the Council puts in place measures where the information which is provided to the valuer is reviewed by appropriate individuals within both operational and finance teams to ensure accurate and complete information is provided, and where relevant assumptions and knowledge about the assets are shared with the valuer, with evidence of review retained.	September 2022	●

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Preparation of accounting papers	Accounting papers were not prepared to explain and support key judgements and estimates, including the on-going pertinence of judgements made in previous years, or were not sufficiently detailed to explain and support those judgements and estimates. It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically, these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc.), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures. The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge is retained in the organisation. We recommend the Council adopts an approach of preparing papers for any key accounting judgements or issues arising. We also recommend that accounting papers are presented to the same meeting of the Panel at which the draft statement of accounts are approved (if not earlier) for scrutiny and to inform the panel's approval of the draft statement of accounts.	September 2022	
Assessment of impairment of receivables and loans	The Council did not consider requirements of IFRS9, Financial instruments to assess the expected loss on loans and receivables. Historical rates were not adjusted for by forward looking information. We recommend that the expected credit losses calculation is based on historic recoverability rates adjusted by forward looking information and based on historical recoverability on those where IFRS9, financial instruments is not applicable.	Current report	
NNDR debtor provisioning	The methodology adopted for provisioning for NNDR receivables at 31 March 2021 was not appropriate, as it does not take any consideration of the level of debtor outstanding in assessing the expected amount recoverable. We recommend management review the approach adopted and amend for future accounting periods.	Current report	
Taxation debtor provisioning	We recommend management review the data used for debtor provisioning for taxation and other non-exchange debtors, and whether historical experience appropriately supports the provision rates used. Although particularly challenging to estimate at 31 March 2021 in the context of the pandemic, the underlying provision rates are not supported by suitable documented analysis and justification of the provision rates used.	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Redundancy Provisions	Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a restructuring provision is recognised only when both of the following conditions are met: • there is a detailed formal plan for the restructuring; and • an organisation has raised a valid expectation in those affected that the plan will be implemented i.e. either by starting to implement the plan or announcing its main features to those affected. Deloitte noted that the council made provision for redundancies which did not meet the recognition criteria above. We recommend management to consider the requirements of Accounting standards in recognising the provisions.	Current report	
Monthly management accounts process	The Council's management accounts process and monthly monitoring is focussed upon net outturn (rather than review of income and expenditure values against budget, or of the balance sheet and cashflow movements in the period). Although this approach is common in local government, this means that the review processes are less able to detect fraud or error, and we do not consider this to be in line with best practice. We recommend management consider implementing a full monthly management account process, with review against budget for income and expenditure by type, and review of the balance sheet position. This may require consideration of which accruals processes are appropriate to operate each month (or quarter), and which are appropriate as annual processes.	Current report	
Review of Covid 19 grants	In our testing of the design and implementation of controls around Covid-19 grants, no supporting documentation could be provided to evidence that officers review each grant agreement at the start of each grant and assess whether there are any conditions or restrictions associated with the grant and the review process of this judgement is not documented. We noted differences in treatment to that which we would expect for a number of grants as noted on page 17. We recommend that inspection of grant agreements and review of judgements in relation to these are formally documented.	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Fixed asset system	Activities within the fixed asset system such as transfers of assets between asset categories can mean that summary asset category totals within a detailed report may differ between the closing balance for one year and the opening balance for the following year. Other reports within the suite of available reports show movements between asset categories. Differences can also be caused between closing and opening balances on all reports within the suite of reports where assets are either made inactive or as de minimis assets when they previously had a carrying balance. The system does not report on inactive or de minimis assets. We recommend reviewing the use of the fixed asset system and report set up with working protocols put in place to ensure that transactions are recorded correctly as per the system design and that asset movements are monitored and reconciled, both within the suite of reports within the system and against the ledger.	September 2022	
Consideration of sale of assets	From our investigation into the objection in respect of the Nicholsons Shopping Centre valuation, we recommend going forward that the Council formally documents its consideration of the best valuation approach to use for the sale of assets together with any supporting calculations, consideration of development value and appetite for risk.	September 2022	
Public approval of transfer of assets to RBWM Property Company Limited	From our investigation into the objection in respect of transfers of properties to RBWM Property Company Limited, as we could not identify the transfer of property at 106 West Borough Road in publicly available documentation (it was included in Part 2 Cabinet minutes) we recommend to the Council that the approval of all assets transferred to the property company are included in publicly available information (Cabinet public document packs).	September 2022	
Balance sheet reconciliations review controls	The Council has historically not had in place a “balance sheet reconciliation” process to reconcile the general ledger to supporting analyses, with documented review over this. In many instances, we noted that the supporting analyses of balances showing the actual make up of balances (rather than a transaction listing) were not available. We understand that subsequent to 2020/21, the Council has begun introducing this type of control, but this was not fully in place by 31 March 2023. We recommend the Council put in place a regular balance sheet reconciliation and review process. Best practice would be to do this on a monthly basis, and minimum frequency we would expect is quarterly, with more detailed review as part of the year-end process (as not all accounting estimates are prepared each month).	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Reclassification of assets under construction when complete	We identified that an item of assets under construction that was completed in 2019/20. This asset was however not fully transferred out of assets under construction into the category of property, plant and equipment to which it relates. This was also the case in prior year. We recommend the Council implements a documented control where assets held under construction are reviewed in order to verify whether or not they are complete at 31 March, and to ensure appropriate transfers to other categories of fixed assets.	December 2019	
Ledger structure and preparation of the CIES and reserves notes	The Council's ledger structure is focused upon management accounts requirements and is not structured to support the requirements of the financial statements. A single ledger grouping, "AK20", is used for posting a range of different accounts movements effectively directly to reserves, which then need reanalysis to prepare the CIES and to allocate to appropriate financial statement lines. The Councils' historic audit trail and support for this reanalysis has not been adequate and has not included appropriate review and control steps over the entries required, resulting in errors identified in the audit (including entries requiring restatement). We consider the ledger structure used in 2020/21, in the absence of a rigorous structure of mitigating controls, to be a significant weakness in the council's financial reporting arrangements. We recommend the council revisit its ledger structure, with at least one separate general ledger account code underpinning each required line in the CIES and supporting notes, a clear and maintained mapping of ledger codes to financial statement line items (with appropriate review controls over the mapping and changes thereto), and, where reanalysis of ledger codes for accounts preparation is required, a clear structure of high quality reconciliations with documented rationale and evidence for analysis and appropriate controls over the reanalysis process. We understand that changes have been made for subsequent periods, with changes partially implemented in 2021/22 and further extended during 2022/23.	September 2022	
Documentation of arrangements about funds held on behalf of other entities	The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership. In 2020/21, the Council used cash to fund Council capital expenditure rather than borrowing from other sources (while recognising amounts due to other entities as borrowings in the financial statements). We recommend the Council put in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements.	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Review of Capital additions during Capital Review Board meetings and approval by Cabinet.	Deloitte have noted that there is a control in place in which capital additions are reviewed during capital review board meetings and there is approval of capital additions by the cabinet. The meetings consider the value and worth of a project from a budget/spend perspective i.e., "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital in nature. We recommend that there is consideration and challenge whether the items included as additions are of revenue or capital nature.	Current report	
Lack of audit trail for the review of pension reports.	The valuation of pension liabilities is performed by the Actuary. However, there was no evidence of management review of the IAS19 reports issued by the Actuary. We recommend that a paper is prepared and set out the review of key assumptions, and officer's view on why the assumptions are appropriate and evidence of review and challenge should be maintained.	Current report	
Those in charge in governance lack significant influence over financial reporting internal controls.	Deloitte have noted several financial reporting control deficiencies in the prior year (such as reconciliations), which have not been implemented by entity management in the 2020/21 audit period. We also identified multiple misstatements that had occurred as a result. We recommend that those charged in governance follow up on the implementation of the control observations.	Current report	
Recording of accruals and payables in the general ledger	During our testing of accruals , we noted that within accruals listing , there were several balances which were supposed to be recorded in the Trade payables account code because the council had received the related invoices before the year end. We recommend reviewing the year-end liability capture process, and the extent to which payables can been captured in the appropriate coding (which would support separate accounts disclosure of payables and accruals).	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
User access reviews	In our test of access controls, we noted that for the Agresso application, the users access are not reviewed for appropriateness based on their access privileges and role-based segregation of duties, furthermore, there is no formal evidence maintained to corroborate that the review had taken place. We recommend that this review is performed on a regular basis and formally documented.	Current report	
Agresso application passwords configuration.	In our test of access controls on Agresso application, we noted that password configurations were not in line with the recommended industry standards. Weak passwords configurations exposes the council to unauthorised individuals gaining access to the system. We recommend that the password expiry period should be updated to align with the recommended best practice.	Current report	
Change Management	It was identified that there is no formal change management policy in place. Furthermore, although changes are tested and approved, there is typically no segregation of duties between those who develop changes, and those who implement changes. We recommend the council to implement a change management policy which should also address segregation of duties.	September 2022	
Compliance with LAAA 2014 (regulation 15)	In relation to public inspection period for 2020/21 accounts, the Council did not fully comply with the Local Audit and Accountability Act 2014 (regulation 15) as it did not include its Annual Governance Statement (AGS) within the draft financial statements when uploading the document on its website. Although not directly required of the Council, it did not consider other options in relation to local taxpayers accessibility of the notice to inspect the accounts by only publishing the notice on its website. We recommend that Council ensures the AGS is included within the draft financial statements when it is made available for public inspection on the website. We recommend the Council consider whether it should use other avenues for making the local taxpayer aware that the draft statement of accounts are available for inspection other than on their website to improve accessibility.	September 2022	

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 and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) 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 Statement of Account
- Our internal control observations.
- Other insights we have identified from our audit.

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 Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers 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 the other procedures performed in fulfilling our audit plan.

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 and again in this report.

This report has been prepared for the Audit and Governance Committee and 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.

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

Deloitte LLP

Deloitte LLP

St Albans

8 November 2023

Appendices

Audit adjustments
Uncorrected misstatements

After the adjustments that have been made in the updated draft financial statements (and subject to completion of our checks of that updated draft), the following uncorrected misstatements have been identified. We request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements, if corrected would reduce total comprehensive expenditure by £1.6m (i.e. represent net reduction in costs to the Council of £1.6m), reduce net assets by £0.3m, and decrease usable reserves by £1.8m.

There may be more misstatements as we finalise our audit work and an updated schedule will be included within our final report that we will issue at the point of signing, including in respect of any uncorrected disclosure deficiencies.

			Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) Council usable reserves £m*
Factual misstatements identified in current year						
Overstatement of the carrying amount of investment in RBWM Commercial Services Limited	Investments	[1]	0.2	(0.2)	-	-
Inappropriate recognition of redundancy provisions	Provisions	[2]	(0.4)	0.4	-	(0.4)
Over accrual of DLUHC receivables	Receivables	[3]	0.3	(0.3)	-	0.3
Sub total			**0.1**	**(0.1)**	**-**	**(0.1)**
Judgemental misstatements identified in current year						
Allowance for Doubtful Debts – Council Tax Debtors	Receivables	[4]	2.3	(2.3)	-	-
Allowance for Doubtful Debts – Housing Benefit Debtors	Receivables	[4]	(1.2)	1.2	-	-
Allowance for Doubtful Debts – NNDR Debtors	Receivables	[4]	(1.4)	1.4	-	-
Potential impact of the Goodwin ruling	Pensions	[15]	0.5	(0.5)	-	-
Capitalisation of infrastructure expenditure with a useful life of less than a year	Infrastructure assets	[5]	1.4	(1.4)	-	1.4
Judgemental misstatements continued on the next page						

Audit adjustments

Uncorrected misstatements

			Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo:Debit/ (credit) Council usable reserves £m*
Judgemental misstatements identified in the current year (continued)						
Expected credit loss on AFC loan	Loans	[6]	0.5	(0.5)	-	0.5
Overstatement of appeals provision due to double counting of appeals	Provisions	[7]	(0.3)	0.3	-	-
Overstatement of appeals provision due to estimation approach used	Provisions	[8]	(3.0)	3.0	-	-
Overstatement of income – Sales fees and other charges	Revenue	[9]	-	0.4	(0.4)	(0.4)
Sub total			**(1.2)**	**1.6**	**(0.4)**	**1.5**
Prior period misstatements identified in the current year						
Prior year REFCUS expenditure only recognised in the current year	Cost of services	[10]	(0.7)	-	0.7	-
Prior year REFCUS expenditure incorrectly capitalised in prior year	Cost of services	[11]	(1.7)		1.7	
Impact of discounting deferred receipts on finance lease	Receivables	[12]	-	(0.7)	0.7	-
Error in accounting treatment for the transfer of properties to RBWM Property Company Limited	PPE	[13]	2.3	-	(2.3)	-
Sub total			**(0.1)**	**(0.7)**	**0.8**	**-**
Misstatements identified in prior year that remain uncorrected						
Joint venture accounting error (group only)		[14]	-	1.4	(1.4)	-
Capitalisation of infrastructure expenditure with a useful life of less than a year	Infrastructure	[5]	(0.4)	(0.4)	0.8	0.4
Potential impact of Goodwin case on pension liability	Pension	[15]	-	(0.5)	0.5	-
Interest cost included in Modern Equivalent for the revalued school assets	PPE	[16]	-	(1.6)	1.6	-
Sub total			**(0.4)**	**(1.1)**	**1.5**	**0.4**
Grand total			**(1.6)**	**(0.3)**	**1.9**	**1.8**

Audit adjustments (continued)

Uncorrected misstatements (continued)

1. The carrying amount of the Investment in RBWM Commercial Services was higher by £160k when compared to the net assets of RBMW Commercial Services which dissolved on 7th December 2023 via voluntary strike off, with net assets of £66k on 31 March 2020, the last available financial statements.
2. The council recognised a redundancy provision of £400k which did not meet the recognition criteria under IAS 37, *Provision, Contingent liabilities and Contingent Assets.*
3. The Council over accrued £0.3m receivable from DLUHC.
4. Debtor provisions were based on the information at the time of calculation. As part of our subsequent review procedures, we have considered the level of recovery by the council against debtors compared to the level expected when making the provisions and have estimated that the provision for council tax was understated by £2.3m, housing benefit was overstated by £1.2m and non-domestic rates debtors is potentially overstated by £1.4m based on rate of recovery and remaining outstanding balances. These are judgemental misstatements. The impact of this upon usable reserves is over time with interactions with the collection fund adjustment account, and for 31 March 2021 we have not included any impact on usable reserves in the table. We have included in disclosure misstatements the impact on the Collection Fund of the gross value of this including preceptor's shares.
5. Road repairs (patches) were assessed by the council that they have useful life of one year. Deloitte is of the view that these repairs should be written off as incurred because they do not meet the criteria for capitalisation. This impacts usable reserves.
6. Deloitte assessed the Expected Credit Loss on the Revolving Credit Facility to Achieving for Children (AfC) as £0.4m. This is RBWM's share (20%) of the net liability position £2.3m of AfC as at 31 March 21 (excluding pension balances).
7. Within outstanding appeals data report balance of £6.8m, there are 12 duplicate properties. To correct, RBWM has provided for the higher of the multiple amounts arising for duplicates to remain prudent. Other amounts totalling £0.5m represent an overprovision of which RBWM has a £0.3k share.
8. The NNDR appeals provision (for the collection fund as a whole) has increased by £12.8m from £1.4m to £13.8m, of which RBWM's share is an increase of £6.3m to £6.7m. Based on our review of the estimate, this provision (£6.7m RBWM share, plus related balance for other preceptors) is overstated by £3.0m. We have included in disclosure misstatements the impact on the Collection Fund of the gross value of this including preceptor's shares.
9. Within fees and charges, we identified a consortium arrangement where income is received for each year, and then any "surplus" is deferred. There is not an IFRS 15 analysis supporting this, and from understanding of arrangement it appears income should be recognised for periods received. The estimated impact for this type of arrangement is £0.4m opening and £0.4m closing deferred income, and so limited impact on the current year income statement.
10. Our testing of revenue expenditure funded as capital under statute (REFCUS) identified items which should have been recognised in the prior year rather than the current period. We have estimated an impact of £0.7m of this (of which £0.3million is a known error). This does not impact on usable reserves in year.
11. The Council has expensed in year £1.7m of revenue expenditure funded as capital under statute (REFCUS) which was incorrectly capitalised in fixed assets in the prior year, correcting the balance sheet position but affecting the current year accounts.
12. The council did not recognise the impact of discounting deferred capital receipts of £7.6m on a finance lease transaction. We have estimated the overstatement of the receivable balance to be £0.7m.
13. Transfer of properties to RBWM Property Company Limited at £1 consideration was accounted for as disposals instead of a capital contribution (an increase in the carrying amount of the investment in the subsidiary). Historic transfers of £2.3m have been corrected in the current year, but this impacts the current year income statement and leaves an immaterial misstatement in the comparative figures.
14. JV accounting in the Group financial statements: The restated joint venture opening position in 2019/20 was been calculated including the impact of impairment in the council only accounts, rather than taking just the initial investment plus the council's share of gains and losses. The impact on net assets is £1.4m, with no impact on usable reserves.
15. Interest was included in the Modern Equivalent Asset valuation for the single school revalued. These valuations are required to be on an "instant build" basis and should only include actual build costs. We understand that the Council plans to correct this when schools next fall into their year of full revaluation within the cycle. The impact on net assets was £1.6m at 31 March 2020, with no impact on usable reserves. We will update for any change in impact in 2020/21 following resolution of queries on the indexation adjustment.
16. The Goodwin case has not been adjusted for in the pension liability. Deloitte actuaries have assessed the impact as of £1.0m (incremental impact of £0.5m) at 31 March 2021 (and between £0.5 and £1.0m at 31 March 2020), with no impact on usable reserves.

Audit adjustments (continued)

Uncorrected disclosure misstatements

1. Presentation of correction of treatment of Cashflow treatment of property transfers

The Council has recognised a "gain" in the current year of £3.2m in Financing and Investment Income and Expenditure from the correction of the historic treatment of transfers to RBWM Property Company Ltd (which had incorrectly been treated as a loss on disposal, rather than just a balance sheet transfer). The reversal of this transaction should have been netted within gains/losses on disposal, rather than shown as a separate gain, and for new transactions should be treated as not having any gain or loss (i.e. should not show a loss on disposal and a gain on financial asset). The Council had based their treatment on an example in the CIPFA Code Guidance - while we agree with principles in the example, we do not agree this requires the presentation adopted.

2. Useful economic lives disclosure

The accounts disclose a useful economic life range of 4-10 years for vehicles, plant and equipment, and of 30-50 years for other land and buildings.

The underlying lives in the fixed asset registers include (by net book value at 31 March 2021)

- For other land and buildings, 17% with a shorter life and 2% with a longer life (81% within range)
- For vehicles, plant and equipment, 7% of assets have a longer life

The accounting policy is therefore not fully accurate in its description of the assets.

The assets include £0.5m of buildings with a 999 year useful economic life. We have not raised a misstatement for this, as would be below our clearly trivial threshold, but note as a matter for the Council to investigate and correct.

3. Pension interest cost disclosure

Pension interest cost for prior year has been disclosed as £8.0m on Note 12,Financing and Investment income and expenditure instead of £6.7m as disclosed on Note 40, Defined Benefit Pension Scheme.

4. **Impact on collection fund of over of gross understatement of collection fund provisions and overstatement of NNDR Appeals Provisions on Collection Fund Disclosures**

The Collection Fund includes the gross value of movements in bad debt provisions and provision for appeals, including the shares in respect of other preceptors (with the Council CIES and balance sheet only affected by the Council's share). The Collection Fund figures are therefore misstated by the gross value of the misstatements noted for the Council balance sheet values, as summarised below:

£m	Reported figure	Under / (over) statement
Council tax – increase in bad debt provision	0.1	2.4
Business rates – increase in bad debt provision	5.4	(1.4)
Business rates – increase in provision for appeals	12.4	(6.8)

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 Audit and Governance Committee for the year ending 31 March 2021.
Audit fees	The final fee for the 2019/20 audit of the Council's statement of accounts was £355k. This includes the scale fee of £63k, additional fees in respect of objections of £91k, and other costs incurred as a result of issues identified in our 2019/20 audit report and changes in accounting and audit requires. This has been agreed with the Authority and PSAA Ltd. The final fee for the 2019/20 audit of the Council's pension fund was £139k. This includes the scale fee of £19k, and other costs incurred as a result of issues identified through the pension fund report to the committee for the 2019/20 audit and changes in accounting and audit requirements. This has been agreed with Officers and we await final agreement from PSAA Ltd. The scale fees for the 2020/21 audit of the Council were £63k and for the Pension Fund £19k. These are the same scale fees as the 2018/19 and 2019/20 audits. The scale fee is based on assumptions about the scope and required time to complete our work and does not reflect any additional audit issues for the year, or the increasing scope of work required due to new auditing requirements and regulatory requirements. These are subject to separate agreement with the Council and PSAA. For 2020/21 there are significant additional costs arising from: •Changes in auditing standards and requirements for 2020/21 audits, including in respect of Value for Money and the impact of regulatory changes; •The auditing and accounting matters set out in this report (particularly requiring significant input at senior level); and •Consideration of potential objections received. We have included our expected final fee variation analysis on the next slide which has been discussed with the Council and provided to PSAA for approval.
Non audit fees	In our role as pension scheme auditor, we have provided reporting to the auditors of member authorities, for which we have charged £23k in respect of 2020/21. There are no other non-audit fees in relation to financial year 2020/21.
Independence monitoring	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 no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees (Continued)

2020/21 Fee Variation analysis

The table below shows the fee variation analysis which we have discussed with management, and which has been submitted to PSAA Ltd for their review and approval. They are shown at the applicable PSAA rates for 2020/21.

Category	Main Council		Pension		Total	
	Hours	Cost at PSAA rates	Hours	Cost at PSAA rates	Hours	Cost at PSAA rates
Group work	243	16,807	-	-	243	16,807
Pension Valuation	171	12,161	147	10,153	318	22,314
PPE and investment properties	492	32,082	-	-	482	32,082
Prior period adjustments	310	23,496	-	-	310	23,496
Technical accounting issues	351	29,549	-	-	351	29,549
Quality and preparation issues	1,184	81,844	215	14,887	1,399	96,731
Value for money additional risks	200	28,384	-	-	200	28,384
Value for money commentary	207	19,099	-	-	207	19,099
Increased FRC challenge (not included in other sections)	313	20,403	124	8,072	437	28,475
Covid-19 impact	428	26,360	41	2,867	469	29,227
ISA 540	68	6,030	46	3,694	114	9,724
Work of internal experts (pensions and property valuations)	184	16,080	-	-	184	16,080
Reduced performance materiality	449	27,791	232	15,976	681	43,767
Investment valuation (level 3)	-	-	590	40,716	590	40,716
McCloud	-	-	51	3,539	51	3,539
Other	605	41,021	431	29,837	1,036	70,858
Total for the audit (excluding objections)	**5,205**	**381,107**	**1,877**	**129,741**	**7,082**	**510,848**
Objections (includes legal costs of £20,000).	***312***	***71,521***	-	-	***312***	***71,521***

Fraud responsibilities and representations

Responsibilities explained

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers 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 Council to confirm 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 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 Council 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:

In our planning we identified capital expenditure recognition and management override of controls as key audit risks in respect of fraud for the council.

During course of our audit, we have had discussions with officers and those charged with governance.

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

We have reviewed the Annual Governance Statement.

Conclusion:

We have no matters to report from our procedures in this regard.

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2022/23 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, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the on-going investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year’s engagement inspection cycle. The reduction in findings in this area reflects the on-going effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high quality execution.

All the AQR public reports are available on the FRC's website:

Audit Firm Specific Reports - Tier 1 audit firms | Financial Reporting Council (frc.org.uk)

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

The AQR's 2022/23 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had continued to show improvement in relation to its audit execution and firm-wide procedures.

82% of audits inspected were found to require no more than limited improvements. None of the audits we inspected this year were found to require significant improvements and 82% required no more than limited improvements, the same as last year. This was the case for 78% of FTSE 350 audits (91% last year). The firm has maintained its focus on audit quality on individual audits, with consistent FRC inspection results.

The areas of the audit that contributed most to the audits assessed as requiring improvements were revenue and margin recognition, and provisions. There continues to be findings related to the audit of provisions, which was a key finding last year, although in different areas of provisioning. At the same time, we identified a range of good practice in these and other areas."

Inspection results: review of the firm's quality control procedures

"This year, our firm-wide work focused primarily on evaluating the firm's actions to implement the FRC's Revised Ethical Standard; partner and staff matters; acceptance, continuance, and resignation procedures; and audit methodology relating to settlement and clearing processes.

Our key findings related to compliance with the FRC's Revised Ethical Standard, timely continuance procedures, and audit methodology relating to settlement and clearing processes.

We identified good practice points in the areas of compliance with the FRC's Revised Ethical Standard, partner and staff matters, and acceptance, continuance and resignation procedures."