

The Audit Findings Report for Epsom and Ewell Borough Council

Year ended 31 March 2023

28 March 2024



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Your key Grant Thornton team members are:

Matt Dean

Key Audit Partner

E Matt.Dean@uk.gt.com

Raymund L. Daganio

Audit Manager

E Raymund.L.Daganio@uk.gt.com

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

Name: **Matt Dean**

For **Grant Thornton UK LLP**

Date: **March 2024**

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

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1. Headlines

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

Financial Statements

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

- give a true and fair view of the financial position of the Group and Council and the Group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was held remotely during October 2023 to February 2024. Our findings are summarised on pages 6 to 18. We have identified two (2) corrected adjustments that have resulted in a £1.2m adjustment to the Group's Comprehensive Income and Expenditure Statement (CIES). We also noted three (3) uncorrected adjustments with £321k impact on the Council's CIES, and amendments to notes to the financial statements. These are detailed in Appendix C. We have also raised one recommendation for management as a result of our audit work. This is set out in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (please see Appendix G) or material changes to the financial statements, subject to the following outstanding matters;

- Processing of a) IAS 19 assurance from pension fund auditors and b) housing benefits modules.
- Final review of audit file;
- Receipt of management representation letter (please see appendix F); and
- Review of the final set of financial statements.

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

Our anticipated audit report opinion will be unqualified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on page 17, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

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

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

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

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

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

1. Headlines

National context – audit backlog

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

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

We would like to thank everyone at the Council for their support in working with us. The audit team and the Council have worked constructively with the Council to resolve issues and challenges encountered to progress the audit by this point.

National context – level of borrowing

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

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

With regards to Epsom and Ewell Borough Council, the Borrowing strategy in accordance with their latest Treasury Management Strategy Statement is to maintain an under-borrowed position. As quoted in our separate Auditors Annual Report (AAR), the Council's borrowing rates are monitored which means that if borrowing rates change then borrowing would be postponed and the portfolio position is re-appraised. External borrowing is undertaken specifically to invest in commercial properties to generate long-term income streams. The Council's long-term borrowing position remain at £64.4 million as of 31st March 2023 which was unchanged from the previous year.

On our AAR, we have added our benchmarking tool which provides further insight into the Council's level of borrowing. In 2022/23, long-term borrowing as a proportion of long-term assets at the Council was at 32%. The Council is ranked as having the 11th highest proportion of long-term borrowing against assets, compared to 110 districts in the UK. Compared with other districts in Surrey, the Council ranked third with a proportion of long-term borrowing against assets. The 2020-2024 Financial Plan outlined that part of the Council's asset management strategy was to increase income generated from commercial property and as mentioned, external borrowing is undertaken to invest in commercial properties. Please refer to our separate AAR for further details.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion as detailed in Appendix G.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. At the time of writing (February 2024), there are still areas to be concluded. The final audit fee will be reported to the committee and is subject to approval by PSAA.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	939,000	938,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	657,000	656,000	Calculated as 70% of headline materiality. This is a measure used in audit of testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	46,000	45,000	This has been calculated based upon 5% of your headline materiality.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Risk of fraud in revenue recognition</p> <p>Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>In our audit plan, we mentioned that based on our judgement, the significant risk due to fraud at the Council relates to the improper recognition of grants with terms and conditions attached. Having considered the risk factors set out in ISA240 and the nature of the revenue streams including recognition of grant income at Epsom and Ewell Borough Council, we have determined that the risk of fraud arising from revenue recognition on the Group and the Council's revenue streams can be rebutted, because:</p> <ul style="list-style-type: none"> - There is little incentive to manipulate revenue recognition - Opportunities to manipulate revenue recognition are very limited - The culture and ethical frameworks of local authorities, including Epsom and Ewell Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We have not identified any issues in this regard.</p>	Group and Council
<p>Risk of fraud in expenditure recognition</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period.</p> <p>Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p>	<p>We have:</p> <ul style="list-style-type: none"> • inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period; • inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and • investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. <p>Our audit work has not identified significant issues in respect of this risk.</p>	Group and Council

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Management over-ride of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals ; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; obtained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work is to be finalised however at the time of writing, we have not identified issues in respect of this risk. We will provide an update to Management and Those Charged with Governance should any issues be identified from our remaining testing.</p>	Group and Council
<p>Valuation of land and buildings</p> <p>You revalue your land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; wrote to the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; tested revaluations made during the year to see if they had been input correctly into your asset register; and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>The lease terms used for the reversionary rent in calculating the valuation for investment properties for two of the investment properties of the Council's subsidiary were wrong. This was corrected using the lease agreements for these properties resulting in an increase in the revaluation gain of £1.118 million. As this only affects the Council's subsidiary, adjustments were made only on the Group accounts.</p> <p>Other than above, we obtained reasonable assurance that the valuation of land and buildings are not materially misstated.</p>	Group and Council

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Valuation of the pension fund net liability</p> <p>Your pension fund net liability, as reflected in its balance sheet as defined benefit pension liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£5.4 million in your balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • obtained assurance from the auditor of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>The Surrey Pension Fund auditors identified £6m undervaluation of level 3 investments due to timing differences of valuation between 31 December 2022 and 31 March 2023. The calculated difference allocated to the Council is £120k which the Council opted not to adjust on the grounds of immateriality.</p> <p>In addition to above, the pension fund auditors also identified one investment totalling £7.6 million where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern, valuation other than FRS102 and in liquidation. The Council's share on this investment of £152k was not considered material. Please refer to Appendix C for details.</p>	Council

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other land & buildings valuations NBV £63,043,000	<p>Other land and buildings that were revalued in 2022/23 comprises £41.1 million of specialised assets such as leisure centre and theatre, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings revalued in year (£4.6 million) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2023 on a five yearly cyclical basis. About 67% of total assets were revalued during 2022/23.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £8.2 million for other land and buildings. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022, considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties. The Council has made an adjustment of £1.7 million on other land and building representing revaluation gain between December 2022 and March 2023.</p> <p>After applying indices, depreciation and impairment, and other movements, the total year end net carrying value of Other Land and Buildings was £63 million, which was a net decrease of £0.1 million from the 2021/22 (£63.1 million).</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022. Management's assessment of assets not revalued has identified no material change to the properties value.</p>	<p>The Council has engaged Wilks Head and Eve for the valuation of other land and buildings. We have considered and completed the following in the course of our audit:</p> <ul style="list-style-type: none"> - assessment of management's expert; - Impact of any changes on the valuation method; - consistency of estimate against Montagu Evans report; - reasonableness of movement in estimates; - adequacy of disclosure of estimate in the financial statements; and <p>We have recalculated the indexation to 31 March 2023 applied by the management over assets revalued in December 2022 using the percentage change as defined in the valuation report and resulted in difference below triviality. We have assessed the rate used to be in line with the BCIS rate.</p> <p>We have not identified any issues in respect of the valuation of land and buildings other than the error on the amount disclosed as properties revalued. Amount disclosed was updated to £41,939k from £42,354k.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment properties valuations NBV £116,279,000	<p>The Group's investment property portfolio has a value of £116 million (£64 million for the Council) as at 31 March 2023. All Investment properties have been valued at fair value in 2022/23.</p> <p>The valuation of properties valued by the valuer has resulted in a net net decrease of £2.4 million for investment properties. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022, considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties. No adjustment was made for investment property as the movement was assessed by management as immaterial.</p> <p>After applying indices, depreciation and impairment, and other movements, the total year end net carrying value of Investment properties was a net decrease of £2.2 million from 2021/22 (£118.5 million).</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022. Management's assessment of assets not revalued has identified no material change to the properties value.</p>	<p>The Council has engaged Wilks, Head and Eve for the valuation of investment properties. We have considered and completed the following in the course of our audit:</p> <ul style="list-style-type: none"> - assessment of management's expert; - Impact of any changes on the valuation method; - consistency of estimate against Montagu Evans report; - reasonableness of movement in estimates; - adequacy of disclosure of estimate in the financial statements; and - evaluated classification of investment properties. <p>We have recalculated the indexation to 31 March 2023 applied by the management over assets revalued in December 2022 using the percentage change as defined in the valuation report and resulted in difference below triviality. We have assessed the rate used to be in line with the BCIS rate.</p> <p>The lease terms used for the reversionary rent in calculating the valuation for investment properties for two of the investment properties of the Council's subsidiary were wrong. This was corrected using the lease agreements for these properties resulting in increase in revaluation gain of £1.118 million. As this only affects the Council's subsidiary, adjustments were made only on the Group accounts.</p> <p>Other than above, we have not identified issues in respect of the valuation of investment properties.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																							
Net pension liability – £5,400,000	<p>The Council's net pension liability at 31 March 2023 is £5.4 million (PY – £10.4 million).</p> <p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 31 March 2022 (representing year zero of triennial valuation). A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> Assessment of management's expert; Assessment of actuary's approach taken, based on the full valuation to confirm reasonableness of approach; Use of PwC as auditor's expert to assess actuary and assumptions made by actuary – the table compares your Actuary's assumptions <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.75%</td><td>4.75% p.a. for all employers</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>3%</td><td>Unadjusted: 2.85% to 2.90% p.a.; Adjusted*: 2.95% to 3.00% p.a. for all employers.</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4%</td><td>Typically assumption will be between CPI and CPI + 1.0% p.a.</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22.4 / 21.8</td><td rowspan="2">Figures within the IAS19 results schedule may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.*</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>26.2 / 24.5</td><td>●</td></tr> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75% p.a. for all employers	●	Pension increase rate	3%	Unadjusted: 2.85% to 2.90% p.a.; Adjusted*: 2.95% to 3.00% p.a. for all employers.	●	Salary growth	4%	Typically assumption will be between CPI and CPI + 1.0% p.a.	●	Life expectancy – Males currently aged 45 / 65	22.4 / 21.8	Figures within the IAS19 results schedule may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.*	●	Life expectancy – Females currently aged 45 / 65	26.2 / 24.5	●	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Assumption	Actuary Value	PwC range	Assessment																							
Discount rate	4.75%	4.75% p.a. for all employers	●																							
Pension increase rate	3%	Unadjusted: 2.85% to 2.90% p.a.; Adjusted*: 2.95% to 3.00% p.a. for all employers.	●																							
Salary growth	4%	Typically assumption will be between CPI and CPI + 1.0% p.a.	●																							
Life expectancy – Males currently aged 45 / 65	22.4 / 21.8	Figures within the IAS19 results schedule may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.*	●																							
Life expectancy – Females currently aged 45 / 65	26.2 / 24.5		●																							

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £5,400,000, cont'd		<ul style="list-style-type: none"> With regards to the mortality on the PwC report, they are comfortable with Hymans approach to estimating mortality rates. To obtain further assurance, we have done a comparison to the prior year mortality rates and did not note any significant differences. We have reviewed the completeness and accuracy of the underlying information used to determine the estimate We have confirmed there were no significant changes in 2022/23 valuation method and IAS19 assumptions are reasonable. We have reviewed the reasonableness of the Council's share of Local Pension Scheme (LPS) pension assets. We have reviewed the reasonableness of increase/decrease in estimate We have reviewed the adequacy of disclosure of estimate in the financial statements <p>The Surrey Pension Fund auditors identified a £6 million undervaluation of level 3 investments due to timing differences of valuation between 31 December 2022 and 31 March 2023. The calculated difference allocated to the Council is £120k which the Council opted not to adjust on the grounds of immateriality.</p> <p>In addition to above, the pension fund auditors also identified one investment totalling £7.6 million where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern, valuation other than FRS102 and in liquidation. The Council's share on this investment of £152k was not considered material. Please refer to Appendix C for details.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious









Assessment

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





2. Financial Statements: Information Technology

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

In our audit plan, we included Real Asset Management (RAM) as in scope for our ITGC assessment however, following completion of our risk assessment, we determined that this is not a relevant IT application and therefore no ITGC assessment is required. On the other hand, we have considered iTrent system as in scope IT application used for HR purposes and have included below result of our assessment.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica Financials	ITGC assessment (design and implementation effectiveness only)					None identified.
iTrent	ITGC assessment (design and implementation effectiveness only)					None identified.

Assessment

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

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Group which is appended in this report.
Confirmation requests from third parties	We sought external confirmations from relevant banks and financial institutions to support our view of the Group and the Council's yearend cash and investment balances. We received positive confirmation for all balances. There are no issues to report.
Accounting practices	We have evaluated the appropriateness of the Group and the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. However, we encountered delays in receiving requested audit evidence due to capacity challenges within the Council. This resulted in delays to our audit timeframes, and there will be additional fees charged as overruns for the additional time incurred – our current proposal can be seen in Appendix D .

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Group and the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Group and the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Group and Council and the environment in which it operates the Group and the Council's financial reporting framework the Group and the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix G.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA Group audit instructions. Note that work is not required as the Council is not expected to exceed the threshold.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

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

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statement.

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

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

Details of fees charged are detailed in **Appendix D**.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics, cont'd

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Estimated Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	£43,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £43,000 in comparison to the total fee for the audit and in particular, relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Audit Adjustments
- D. Fees and non-audit services
- E. Auditing developments
- F. Management Letter of Representation
- G. Audit opinion

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

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

B. Action Plan – Audit of Financial Statements

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<div><div></div><div>Low</div></div>	<p>Completeness of lease register</p> <p>The Council does not include immaterial leases within the lease register provided to the engagement team and although new leases were disclosed, it raises questions over the completeness of other listings moving forward.</p>	<p>We suggest the Council consider including all leases on their lease register regardless of the value. This will serve as supporting evidence to the external auditors that the cumulative impact of leases wont be material and therefore fine to not be disclosed. In preparation for the IFRS 16 that will be effective from 1st April 2024, the Council should be able to demonstrate completeness of all leases considered for IFRS 16 assessment as a starting point.</p> <p>Management response</p> <p>Management already maintains a register of material leases, but this will be updated to ensure it captures all known leases including those of low value, as requested.</p>

Controls

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

C. Audit Adjustments

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

Impact of adjusted misstatements

We have identified the following adjusted audit misstatements which we are required to report to those charged with governance.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
Investment property – Group accounts			
The lease terms used for the reversionary rent in calculating the valuation for investment properties for two of the investment properties of the Council's subsidiary were wrong. This was corrected using the lease agreements for these properties resulting in increase in revaluation gain of £1.118 million . As this only affects the Council's subsidiary, adjustments were made only on the Group accounts. Management agreed to adjust.	(1,188) – Increase in Group CIES (income)	Dr. Investment properties – 1,188 Cr. Revaluation gain – (1,188)	(1,188) – reduction in Group total net expenditure
Error within MIRS			
We noted an understatement of £466k on Capital Adjustments Account (CAA) within MIRS when compared to trial balance. This is offset by the corresponding overstatement on Revaluation Reserve (RR) within MIRS. Management confirmed this as clerical error on value picked up for MIRS hence draft accounts have just not been updated and trial balance is showing the correct amounts. Management updated the accounts based on the amount per trial balance. Movement in Note 9 related to adjustment within MIRS have also been updated to reflect this change.	n/a – no impact on the CIES	Dr CAA reserve – 466 Cr. RR – (466)	-
Net impact	(1,188) – Increase in Group CIES (income)		- (1,188) – reduction in Group total net expenditure

C. Audit Adjustments, cont'd

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Note 7 - Expenditure and Funding Analysis Incorrect figures disclosed on "Adjustments between internal reporting and statutory position" should show as (£1,415k) and not (£688k). Following correction of error within MIRS from the preceding slide, "Adjustments between for capital purposes" of (£6,121k) and "Total adjustments between funding and accounting basis" of (£4,796k) have been amended to (£5,654k) and (£4,329k), respectively.	Audit adjustment proposed to correct error in Note 7. Management response Agreed to adjust.	✓
Note 15 – Property, plant and equipment The Council updated the note to reflect the amount of properties revalued per the fixed asset register (FAR) of £41,939k from £42,354k.	Audit adjustment proposed to correct error in Note 15. Management response Agreed to adjust.	✓
Other minor errors within the notes to the accounts such as: <ul style="list-style-type: none"> ▪ Narrative report – 2. Financial performance Casting error of sub-total variance. Amount adjusted from £544k to £526k. ▪ Narrative report – 3. Employee Benefits Discount rate disclosed was wrong. Updated from 2.7% to 4.8%. ▪ Note 18 - Financial instruments Removal of 'There is no indication that the investment may be materially impaired' which management confirmed to have been added in error. 	Adjustments proposed to correct fundamental errors noted within the accounts. Management response Agreed to adjust.	✓

C. Audit Adjustments, cont'd

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
Grant Income				
We noted a duplicate entry on our samples for grant income. Management explained that this transaction is to offset a corresponding debit in grants income however this was unintentionally doubled within the grant income listing and therefore overstated the grant income by £338k . The corresponding debit was made to the capital grants reserve and is therefore understated by the same amount.	Dr Grant income – 338	Cr Capital grant reserve – (338)	338	The Council has not adjusted as this is below materiality.
The adjustment has no impact on the overall reserve. Client do not intend to make an adjustment for it in the accounts. As there are only three transactions under capital grants we can conclude that this is an isolated error and will not materially affect the capital grants figure stated in the accounts.				
Holiday accruals				
Relates to the balance of leave accruals at the end of the financial period. Client explained that they don't accrue for this leave based on it's low (immaterial) value to their accounts users, we have therefore made a note of this in our unadjusted misstatements log, as this amount is above our triviality threshold. The adjustment to the right represent the net impact on CIES. We note that the overall impact on both balance sheet and reserves taking into account similar treatment in prior year have a net amount of below triviality (£20k).	Dr Payroll – 103	Cr Accruals – (103)	103 – increase in total net expenditures	The Council has not adjusted as this is below materiality.
Overstatement on the pension fund liability				
The Surrey Pension Fund auditors identified a £6 million undervaluation of level 3 investments due to timing differences of valuation between 31 December 2022 and 31 March 2023. The pension fund account has not been amended for the timing difference as it is not material. The calculated difference allocated to Epsom and Ewell based on 2% asset share over the total pension asset is £120k . In effect, the net pension fund liability is overstated by the same amount as at 31 March 2023.	Cr Remeasurement of net pension liability – (120)	Dr Pension fund liability – 120	(120) – decrease in total net expenditures	The Council has not adjusted as this is below materiality.
In addition to above, the pension fund auditors also identified one investment totalling £7.6 million where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern, valuation other than FRS102 and in liquidation. The Council's share on this investment of £152k was not considered material.				
Net impact	321 – decrease in Group CIES (income)	(321) – decrease in net asset	321 – Increase total net expenditure	

D. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
New scale fee	£44,739	£44,739
Additional work on Value for Money (VfM) under new NAO Code	£9,000	£9,000
Increased audit requirements of revised ISAs 315	£3,000	£3,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000	£3,000
Audit of Group Accounts (not included in the Scale Fee)	£2,959	£2,959
Increased audit requirements of revised ISAs 540	£2,100	£2,100
Quality review – response to FRC (Quality Partner)	£1,500	£1,500
Enhanced audit procedures collection Fund - reliefs testing	£750	£750
Additional audit costs due to delay in receipt of audit evidence	-	£5,000
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	£500	£500
Total audit fees 2022/23 (excluding VAT)	£67,548	£72,548*

* Fees subject to PSAA agreement – the fees over and above the Scale Fee cannot be charged until approved by PSAA

Reconciliation of audit fees**	Audit Costs (Note 29) £000
Fees per draft accounts	94
Reconciling items:	
• Additional audit fee variation	12
• Difference in proposed HB grant fee	15
Audit Findings Report	121

**Management to amend the note upon finalisation of final proposed fee.

D. Fees and non-audit services, cont'd

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing benefit subsidy claim	£43,000	TBC
Total non-audit fees (excluding VAT)	£43,000	TBC

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

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

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

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

F. Management Letter of Representation

Dear Sirs

Epsom and Ewell Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council and its subsidiary undertakings, Epsom and Ewell Property Investment Company Limited, for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the Group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand

our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the Group and Council financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the Group and Council has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

F. Management Letter of Representation, cont'd

RAAC - we have considered the impact of reinforced autoclaved aerated concrete (RAAC) on our financial statements. We have no knowledge of any material events or circumstances that would require adjustments to be made to our financial statements.

Equal Pay - we have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the Group and Council means that, notwithstanding any intention to cease the Group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Group and Council's ability to continue as a going concern need to be made in the financial statements.

xvi. The Group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the Group and Council's financial statements in the event of non-compliance.

Information Provided

xviii. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Group and Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Group and Council, and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

F. Management Letter of Representation, cont'd

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the Group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the Group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Scrutiny Committee at its meeting on [ENTER DATE].

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

G. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Group and the Council with an unmodified audit report

Independent auditor's report to the members of Epsom and Ewell Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Epsom and Ewell Borough Council (the 'Authority') and its subsidiary (the 'Group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Group and of the Authority as at 31 March 2023 and of the Group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK,

including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the Group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23 that the Authority and Group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Group and Authority and the Group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

G. Audit opinion, cont'd

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, Narrative Reports, the Annual Governance Statement other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities [set out on page x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the Group will no longer be provided.

The Audit and Scrutiny Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

G. Audit opinion, cont'd

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit & Scrutiny Committee, concerning the Group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit & Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and Group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the Group and Authority's engagement team included consideration of the engagement team's:

G. Audit opinion, cont'd

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority and Group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and Group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Authority and Group's control environment, including the policies and procedures implemented by the Authority and Group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

G. Audit opinion, cont'd

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We certify that we have completed the audit of Epsom and Ewell Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Matt Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

March 2024

