Wandsworth Borough Council
Audit results report

Year ended 31 March 2024

26 February 2025

Wandsworth Borough Council
The Town Hall
Wandsworth High Street
London SW18 2PU

26 February 2025

Dear Audit Committee Members

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Wandsworth Borough Council (the Council) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 25 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover local government audit. This means that we do not have assurance over 2022/23 comparatives, opening balances and some in year movements. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion. We have set out in Appendix A a summary of the audit assurances we have gained during the audit and which will provide the basis for audit assurance in 2024/25. Work to gain full assurance in the target year of 2026/27 continues.

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Wandsworth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Wandsworth Borough Council those matters we are required to state to them in this 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 Audit Committee and management of Wandsworth Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary – Context for the audit

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ► Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ► Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ► Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 25 November 2024 Audit Completion Report to the Audit Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over all 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion as expected.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Executive Summary

Scope update

In our Audit Planning Report presented at the 10 July 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the 2023/24 financial statements. We carried out our audit in accordance with this plan, with no significant changes to bring to your attention.

As outlined in Section 04 of the Audit Planning Report, Group/Council planning materiality for 2024 has been set at £19.9m, performance materiality of £9.9m, component performance materiality of £1.9m and audit difference threshold of £0.9m. There have been no changes to our materiality assessments while conducting our audit procedures since that time.

Status of the audit

Our audit work in respect of the Council opinion is now substantially complete. Please refer to Appendix A for details of summary of assurance obtained against each area including group. Our audit opinion reflects the areas where we were unable to gain sufficient assurance over areas of the accounts, as set out in Section 4.

Value for Money

In our Audit Planning Report Update dated 10 July 2024, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures we have identified one potential area where a risk of significant weakness exists. We have completed our work and this is subject to final review. Based on the work completed we have not identified evidence of weakness in arrangement as at 31 March 2024. See Section 04 of the report for further details.

Audit differences

We have summarised below the uncorrected and corrected misstatements which exceeds our reportable thresholds of £0.9m and £9.9 m for uncorrected and corrected misstatements respectively.

Uncorrected Misstatements (Including Judgemental and Projected Misstatements:

- Accrued Interest Income on Winstanley and York Road Generation LLP (WYRR)
    - We have identified one factual misstatement where the accrued interest income on Winstanley York Road Regeneration (WYRR) LLP Loan notes was overstated by £1.07m due to a formula error in the schedule.
- Property, Plant and Equipment Additions and Valuations
    - We have identified two factual misstatements during our PPE Additions testing where two invoices related to WYRR LLP of £2.44m were recorded in the incorrect period. The additions related to 2022/23, however they were incorrectly recognised in 2023/24.
    - We have identified one judgemental misstatement of £2.6m relating to the valuation of Northcote Library due to differences identified in the inputs used in the property valuation by managements' external valuer compared to EY resulting in an overstatement in asset valuations. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Executive Summary (cont'd)

Audit differences (cont'd)

- <u>REFCUS</u>
  - We have identified one factual misstatement during our REFCUS testing where one expenditure item relating to Linear Park of £1.67m was recorded in the incorrect period. The expenditure related to 2022/23, however it was incorrectly recognised in 2023/24.
  - We have identified one projected misstatement of £3.86m where it is noted that prior year major works were incorrectly included within 2023/24. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contained a misstatement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. The projected misstatement is based on individual small differences in the EY samples summing up to £1.34k in total. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement across the population. We have proposed a control recommendation related to this process in section 07.
- <u>Expenditure/ Creditors</u>
  - We have identified one projected misstatement of £2.23m pertaining to the recording of goods received in the system based on purchase order details rather than the actual evidence of the receipt of goods. This results in a projected overstatement of the creditor balance. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contained a misstatement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. The projected misstatement is based on individual small differences in the EY samples summing up to £1.4k in total. The figure is then extrapolated to estimate the misstatement for the entire relevant population. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement across the population. We have proposed a control recommendation related to this process in section 07.
  - We have identified one projected misstatement of £5.6m during our expenditure testing due to extrapolation resulting in overstatement in current year expenditure. The Council as per the policy does not raise accruals under £10k. Regardless we are still required to assess the impact of prior year expenditure recognized in current year due to this policy. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contained a misstatement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. The projected misstatement is based on individual small differences in the EY samples summing up to £2k in total. The figure is then extrapolated to estimate the misstatement for the entire relevant population. Management is not expected to correct this amount as they have followed their accruals policy, and it represents an estimate based on the sample tested rather than an actual misstatement across the entire population. Extrapolation is a common approach in audit to help determine the maximum possible error.

The total uncorrected misstatements might result in an estimated decrease of £9.7m in total expenditure within the Comprehensive Income and Expenditure Statement. This adjustment would correspondingly lead to a possible decrease of £6.12m in non-current assets and a possible decrease of £15.8m in current liabilities. The details of the impact of uncorrected misstatements on current year Comprehensive income and Expenditure and balance sheet are presented in Section 06 of the report.

Executive Summary (cont'd)

Audit differences (cont'd)

Corrected Misstatements:

Management have corrected the following misstatements which exceed our performance materiality of £9.9m.

- Property, Plant and Equipment Classification
  - We have identified a classification misstatement of £20.8m related to Broadwater Primary School. Although the asset was closed and under construction in the FY 2023/24 period, it was still classified as an operational property and included in the year-end valuation exercise conducted by management's external valuer, WHE. During this process, the old school was revalued, resulting in a recognised revaluation loss of £3.43m. The asset is now classified as Asset under construction and the related revaluation loss of £3.43m has been reversed.
- Asset under construction Classification
  - We have identified three classification misstatements summing to £15m related to152 Northcote road, Stag House and Rowditch Lane former garages which were incorrectly classified and had been incorrectly included within Assets Under Construction rather than Land and Buildings. Since the assets were not included within operational PPE at year end they were therefore not included within the year end valuation exercise. Based on this finding, management conducted a thorough assessment of assets classified under AUC at year-end to ensure proper classification. During this process, two additional assets totalling £19.5m were identified as being misclassified under AUC, despite being completed by year-end. The related valuation impact, as provided by management's external valuer, resulted in a revaluation gain of £4.62m. These has been corrected by management. We have proposed a control recommendation related to this in section 07.
- Revaluation Reserve
  - We have identified one factual misstatement where Northcote asset revalued amount compared with only part of the cost of asset resulting in a revaluation gain of £19m compared to the actual valuation gain of £5.9m. The revaluation reserve movement is now corrected by management.
- Disclosures Misstatements:

We have identified the following disclosure misstatements which have been adjusted by management.

- We have identified that in Note 42 of the financial statements the Operating leases-Authority as lessor disclosure did not include future minimum lease payments which is a disclosure required by the CIPFA code. The updated disclosure includes Payment no later than 1 year -£6.59m, later than 1 but no later than 5 years- £27.23m and later than 5 years of £59k.
- In Note 36- Officers' Remuneration - the disclosed pension amount of the Council's senior employees was understated by £61k.

Executive Summary (cont'd)

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office on the Whole of Government Accounts submission following the completion of the financial statements audit. We anticipate that the Council will be below the threshold requiring more detailed procedures.

We have no other matters to report.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Wandsworth Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Fraud Risk	Findings & Conclusions
Misstatement due to fraud or error	From our procedures performed to date, we have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	From the work completed to date, we have not identified any evidence of manipulation of expenditure through either incorrect capitalisation of revenue expenditure or within the Revenue Expenditure Funded from Capital Under Statute (REFCUS) balance. As part of our Property, Plant and Equipment (PPE) Additions and REFCUS testing, we have identified three cut off misstatements where additions of £2.44m related to WYRR LLP and expenditure of £1.67m related to Linear park were incorrectly recognised in 2023/24. The additions/expenditure related to FY 2022/23 but was recognised in 2023/24. Similarly, we have identified one projected misstatement of £3.86m where prior year major works expenditure was included with 2023/24. The projected misstatement is based on individual small differences in the EY samples summing up to £1.3k in total. These have been reported as uncorrected errors in section above. The projected error is due to the fact that the Council follows an annual billing process from October to October for major works. This process includes costs from completed work and anticipated future expenses, causing the billing to span across financial years. Consequently, it becomes challenging to ensure that costs are accurately recorded within the appropriate periods. Due to the timing of the backstop, we were not able to perform additional procedures to quantify the actual impact of prior year expenditure that might be included within current year billing. This has been reported with Control recommendation in section 07 and summary of assurance in appendix A.
Significant Risk	**Findings & Conclusions**
Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV)	In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis. We have completed our work in this area and have not identified any misstatements. This work is subject to final review.

Executive Summary (cont'd)

Areas of audit focus (Cont'd)

Significant Risk	Findings & Conclusions
Valuation of investment property – valued under Existing Use Value (EUV) / Fair Value (FV)	In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of investment property valued on an EUV or FV basis. For the sample asset within the scope of local audit team, we have identified one property being under-valued by £1.01m due to a higher yield percentage applied to the reversionary rent by management's external specialist, WHE, versus EY research.Further, we have identified another property, where the valuer did not consider all terms of leases regarding the passing rents resulting in undervaluation of property by £3m. Both the errors are adjusted by management. No other issues identified. This work is subject to final internal review.
Area of Audit Focus/ Inherent Risk	**Findings & Conclusions**
Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on a DRC Basis. For a sample of assets within the scope of the local audit team, we have identified a classification misstatement of £23.6m related to Broadwater Primary School. Although the asset was closed and under construction in the FY 2023-24 period, it was still classified as operational property and included in the year-end valuation exercise conducted by management's external valuer, WHE. During this process, the old school was revalued, resulting in a recognized revaluation loss of £3.43m. Further, we have identified another asset Alton Youth Club of £1.76m which was in a dilapidated state and should be classified as a surplus asset. We have identified one factual misstatement where Northcote road asset revalued amount compared with only part of the cost of asset resulting in a revaluation gain of £19m compared to the actual valuation gain of £5.9m. All these errors have been adjusted by management. We have identified one judgemental difference related to Northcote library due to difference in inputs used by management's external specialist, WHE versus EY research resulting in overstatement of asset by £2.6m. This has been reported as uncorrected misstatement above. We recommended a control recommendation related to this in section 07. No other issues identified. This work is subject to final internal review.
Valuation of Housing Revenue Account (HRA) properties	As reported in the interim audit results report dated 07 November 2024, we noted a material variance between the 23-24 fixed asset register and Council dwellings of £111m. This is due to the Council's methodology for accounting for additions and disposals, which totalled £135m and £2.6m. Based on the procedures performed, the Council's approach to accounting for and revaluing additions has changed over the past three years, from FY22 to FY24. New stock additions and disposals were also excluded in the FY22 and FY24 valuations, resulting in variances in housing stock numbers per HRA Note 1 and the valuer's report, as well as an understatement in the valuation report.

Executive Summary (cont'd)

Areas of audit focus (Cont'd)

Significant Risk	Findings & Conclusions
	Additionally, work is currently being undertaken to assess whether the Council dwellings additions are measured at current value using the existing use value – social housing method and therefore whether the Council is compliant with the CIPFA code and stock valuation guidance. The Council's policy is that everything is valued at existing use value -social housing except potential assets that fall under assets under construction. Assets under construction are held at cost until they become fully operational. We currently do not have the necessary assurance to conclude on this matter. The Council is still completing further work to demonstrate that the Council dwellings balance is not materially misstated as of 31 March 2024, considering the significance of additions, which we have noted includes a mix of new stock lines, improvements to existing stock, and new builds. We are unable to quantify the exact impact due to the pending additions and housing stock analysis from the Council. Therefore, we were not able to obtain assurance over the balance of the asset category at 31 March 2024. This has also been reported in Appendix A below and is also included in our 2023/24 Audit Report. Since we anticipate issuing a disclaimed 2023/24 audit opinion, we note that the result of this finding will not have an impact to the final audit opinion and the value for money report.
Pension Liability Valuation	We tested the Council's pension liability valuation and assessed the work of the Council's actuary, Barnett Waddingham. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated. We have also undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Barnett Waddingham. No material differences were identified from this process. We have received the IAS19 assurance letter from the auditor of the Wandsworth Pension Fund and noted no material exceptions. We do not have assurance over the triennial valuation of the London Pension Fund Authority (LPFA) in 2022/23 and have therefore not been able to gain assurance over the LPFA assets and defined benefit values shown in the 2023/24 financial statements of the Council.
Community Infrastructure Levy (CIL) Debtors	We have completed our procedures on CIL Debtor testing and identified no material differences.
IFRS 16-Leases	We have completed our procedures on IFRS 16 assessment provided by management and noted an error In calculation. The estimated impact of IFRS 16 on Council balance sheet would be £28.3m rather than £31.2m. Management has amended the disclosure. No other issues noted.

Executive Summary (cont’d)

We request that you review these, and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit, Committee or Management.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.
As part of our work, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal controls, we are required to communicate to you significant deficiencies in internal control identified during our audit.

During the audit, we identified four areas as part of the 2023/24 audit for the Committee’s attention relating to the property, plant and equipment capitalisation; PPE classification, system creditors and REFCUS. Two of these were rated as Moderate and two were rated as Low. See section 07 for further details.

There are no other matters we wish to report.

Independence

Please refer to Section 09 for our update on Independence. We have no matters to bring to your attention relating to independence.

03 Areas of Audit Focus

Areas of Audit Focus

Presumptive risk of management override of controls

Misstatements due to fraud or error

Fraud Risk

What is the risk?

The financial statements as a whole are not free of material mis-statements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What is the status of our work

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control. Our work on journals is subject to final Partner review.

We reviewed whether there were any unusual transactions and concluded there were none that indicated management override.

Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- Identified fraud risks during the planning phase of the audit, which reflect the significant fraud risk recognised in this report (the risk of inappropriate capitalisation of expenditure).
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks in this report.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
  - Tested the appropriateness of journal entries recorded in the general ledger and other adjustments in the preparation of the financial statements.
  - Evaluated the business rationale for significant unusual transactions outside the normal course of business.
  - Assessed accounting estimates for evidence of management bias through undertaking a detailed review of accounting estimates for evidence of bias (such as valuation of land and buildings (PPE) ,investment property and IAS 19 pension balances) and substantively tested unusual or unexpected transactions.
  - We considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material mis-statement due to fraud.

Areas of Audit Focus (cont'd)

Significant Risk

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

Fraud Risk

What is the risk, and the key judgements and estimates?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material mis-statements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Mis-statements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. We are focusing our testing on capital additions and REFCUS.

PPE/IP: Additions totalled £173.9 million in the 2023/24 unaudited financial statements.

REFCUS: totalled £19 million in the 2023/24 unaudited financial statements.

We focus on the Council's judgements to classify expenditure as either revenue or capital in nature.

What is the status of our work

See our conclusions on the next page.

Our response to the key areas of challenge and professional judgement

In response to this risk, we;

- Tested a sample of Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- For the sampled assets, we assessed whether the capitalised spend clearly enhances or extends the useful life of the asset rather than simply repairing or maintaining the asset on which it is incurred.
- For the sampled assets, we considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Tested a sample of REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year

Areas of Audit Focus (cont'd)

Significant Risk - Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure
(cont'd)

What is the status of our work

We have not identified any material issues indicating manipulation through incorrect capitalisation of revenue expenditure within the property, plant and equipment additions balances and in the REFCUS balances within the financial statements. We have also concluded our work on the testing of additions made to property, plant and equipment during the year and REFCUS. As part of our PPE Additions and REFCUS testing, we have identified three cut off misstatements where additions of £2.44m related to Winstanley York Road Regeneration LLP (WYRR LLP) and expenditure of £1.67m related to Linear Park were incorrectly recognized in 2023/24. Similarly, we have identified a projected misstatement of £3.86m where the prior year major works expenditure included within 2023/24. The projected misstatement is based on individual small differences in the EY samples summing to £1.3k in total which relates to FY 2022/23 but was recognised in 2023/24. These have been reported as uncorrected errors . Further, during REFCUS testing we have noticed that the Council follows an annual billing process from October to October for major works. This process includes costs from completed work and anticipated future expenses, causing the billing to span across financial years. Consequently, it becomes challenging to ensure that costs are accurately recorded within the appropriate periods. We were not able to perform any additional procedures to quantify the impact on the prior year expenditure that might be included within the current year billing. The impact of this has been reported in the summary of assurance in Appendix A and we make a control recommendation in section 07.

Areas of Audit Focus (cont'd)

Significant Risk

Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV)

Significant Risk

What is the risk, and the key judgements and estimates?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

At 31 March 2024, the value of land and buildings valued at EUV/FV is £120 million.

We focus on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

Our response to the key areas of challenge and professional judgement

In response to the risk, we:

- Considered the work performed by the Council's valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work, and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuations. Additional work has been completed on this area including a detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure that all assets were valued within a 5-year rolling programme, as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2023/24 using the indices from the Local Government (LG) benchmarking report to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries have been correctly processed in the financial statements.

What is the status of our work

In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis. We have completed our work in this area and have not identified any misstatements.

Areas of Audit Focus (cont'd)

Significant Risk

Valuation of investment property – valued under Existing Use Value (EUV) / Fair Value (FV)

Significant Risk

What is the risk, and the key judgements and estimates?

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment property assets valued on an EUV/FV basis totalled £69.41 million in 2023/24 based on the unaudited financial statements.

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

Our response to the key areas of challenge and professional judgement

In response to the risk, we:

- Considered the work performed by the Council's valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work, and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists (as necessary – such as significant or unusual movements in valuation, difficult to value specialist assets, etc).
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that valuation was undertaken to ensure all investment property had been valued in year as required by the Code.
- Confirmed that a valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have been occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries have been correctly processed in the financial statements.

What is the status of our work

In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of investment property valued on an EUV or FV basis.

For the sample of assets within the scope of local audit team, we have identified one property being under-valued by £1.01m due to a higher yield percentage applied to the reversionary rent by management's external specialist, WHE, versus EY research. Further, we have identified another property, where the valuer did not consider all terms of leases regarding the passing rents resulting in undervaluation of the property by £3m. Both of these errors have been adjusted by management. No other issues were identified.

Areas of Audit Focus (cont'd)

Inherent Risk

Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

Inherent Risk

What is the risk, and the key judgements and estimates?

Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

The value of land and buildings in PPE under DRC represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make judgemental inputs (i.e. build costs, MEA, EUL, etc.) and apply estimation techniques to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and also the insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions. At 31 March 2024, the value of land and buildings subject to DRC valuation was £905 million.

Our response to the key areas of challenge and professional judgement

In response to the risk, we;

- Considered the work performed by the Council's external valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation, difficult to value specialist assets. Additional work has been completed on this area including derailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure that all assets were valued within a 5-year rolling programme, as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2023/24 using the indices from the Local Government (LG) benchmarking report to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries have been correctly processed in the financial statements.

What is the status of our work

For a sample asset within the scope of the local audit team, we have identified a classification misstatement of £23.6m related to Broadwater Primary School. Although the asset was closed and under construction in the FY 2023/24 period, it was still classified as an operational property and included in the year-end valuation exercise conducted by management's external valuer, WHE. During this process, the old school was revalued, resulting in a recognized revaluation loss of £3.43m. Further, we have identified another asset (Alton Youth Club £1.76m) which is in a dilapidated state and should be classified as a surplus asset. We have identified one factual misstatement where Northcote asset revalued amount compared with only part of the cost of asset resulting in a revaluation gain of £13m compared to the actual valuation gain of £5.9m. These has been adjusted by client. We have identified one judgemental difference related to Northcote library due to a difference in inputs used by management's external specialist, WHE versus EY research resulting in an overstatement of asset by £2.6m. This is has been reported as uncorrected misstatement above. We make a control recommendation related to this in section 07. No other issues identified.

Areas of Audit Focus (cont'd)

Inherent Risk

Valuation of Housing Revenue Account (HRA) properties
Inherent Risk

What is the risk, and the key judgements and estimates?

Valuation of Housing Revenue Account (HRA) properties

The value of HRA properties represents a significant balance in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet and HRA notes. HRA properties, being valued at Existing Use Value for Social Housing (EUV-SH) using a Beacon approach, are inherently subject to material uncertainty arising due to market conditions.

At 31 March 2024, the value of HRA properties was £1.8bn based on the unaudited financial statements.

Our response to the key areas of challenge and professional judgement

In response to the risk, we:

- Considered the work performed by the Council's external valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work, and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation, difficult to value specialist assets. Additional work has been completed on this area including derailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using beacon approach.
- Confirmed that the valuation was undertaken to ensure that all assets were valued within a 5-year rolling programme, as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2023/24 using the indices from the Local Government (LG) benchmarking report to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries have been correctly processed in the financial statements.

What is the status of our work

As reported in the interim audit results report dated 07 November 2024, we noted a material variance between the 23-24 fixed asset register and Council dwellings of £111m. This is due to the Council's methodology for accounting for additions and disposals, which totalled £135m and £2.6m. Based on the procedures performed, the Council's approach to accounting for and revaluing additions has changed over the past three years, from FY22 to FY24.

Areas of Audit Focus (cont’d)

Inherent Risk (cont’d)

What is the status of our work

New stock additions and disposals were also excluded in the FY22 and FY24 valuations, resulting in variances in housing stock numbers per HRA Note 1 and the valuer’s report, as well as an understatement in the valuation report.

Additionally, work is currently being undertaken to assess whether the Council dwellings additions are measured at current value using the existing use value – social housing method and therefore whether the Council is compliant with the CIPFA code and stock valuation guidance. The Council's policy is that everything is valued at existing use value -social housing except potential assets that fall under assets under construction. Assets under construction are held at cost until they become fully operational. We currently do not have the necessary assurance to conclude on this matter. The Council is still completing further work to demonstrate that the Council dwellings balance is not materially misstated as of 31 March 2024, considering the significance of additions, which we have noted includes a mix of new stock lines, improvements to existing stock, and new builds. We are unable to quantify the exact impact due to the pending additions and housing stock analysis from the Council. Therefore, we were not able to obtain assurance over the balance of the asset category at 31 March 2024. This has also been reported in Appendix A below and is also included in our 2023/24 Audit Report. Since we anticipate issuing a disclaimed 2023/24 audit opinion, we note that the result of this finding will not have an impact to the final audit opinion and the value for money report.

Areas of Audit Focus (cont’d)

Inherent Risk

Pension liability valuation

Inherent Risk

What is the risk, and the key judgements and estimates?

Pension liability valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council’s pension fund deficit is a material estimated balance, and the Code requires that this liability be disclosed on the Council’s balance sheet. At 31 March 2024, the Council has reported a change from a net asset position to a net liability (£356.2 million asset in 2022/23 to a £7.2 million liability in 2023/24). The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

In response to the risk, we:

- Liaised with the auditors of Wandsworth Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- Assessed the work of the pension fund actuary, Barnett Waddingham, including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors and considering any relevant reviews by the EY actuarial team.
- Evaluated the reasonableness of the Pension Fund actuary’s calculations by comparing them to the outputs of our own auditor’s specialist’s model.
- Reviewed and tested the accounting entries and disclosures made within the Council’s financial statements in relation to IAS19.
- Engaged EY actuarial specialists to review the roll-forward of liabilities.

What is the status of our work

We were satisfied there was no evidence of material misstatement arising from the work completed above. In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management’s process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the National Audit Office for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor’s estimate, to gain assurance. We employed the services of an EY Pensions actuarial specialist to review the Council’s IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham and this identified no material issues. We do not have assurance over the triennial valuation of the London Pension Fund Authority (LPFA) in 2022/23 and have therefore not been able to gain assurance over the LPFA assets and defined benefit values shown in the 2023/24 financial statements of the Council.

Areas of Audit Focus (cont’d)

Inherent Risk

Community Infrastructure Levy (CIL) Debtors

Inherent Risk

What is the risk, and the key judgements and estimates?

As part of our debtors testing for the 2021/22 audit which was the last year of audit, we identified a difference between the CIL debtors as outlined in the aged debtors report and as per the CIL excel Monitoring Spreadsheet to track movements within the CIL debtors throughout the year. The Council’s listing of CIL debtors therefore did not reconcile to the ledger or accounts, with a difference of £31m.

The reason for this variance was that the Council was maintaining the spreadsheet rather than making invoice-level adjustments directly on the ledger, we have asked the Council to prepare a working paper that properly sets out the CIL debtor position and reconciles to the ledger, to allow us to undertake detailed substantive testing of the balance

Management will need to undertake a significant exercise to document the CIL income due and the outstanding debtor amounts due in preparation for the 2023/24 financial statements.

Our response to the key areas of challenge and professional judgement

In response to the risk we:

- Obtained the working paper prepared by the Council setting out the debtor position and the reconciliation to the ledger.
- Examined the reconciliation prepared by the Council and investigated any reconciling items included.
- Undertook substantive testing of the balance to ensure that the debtors included on the balance sheet are fairly stated.
- Scrutinized manual journal entries and adjustments made to the subledger and general ledger for appropriateness and authorisation.

What is the status of our work

Our testing on the CIL Debtor is completed. We have obtained the year-end reconciliation of CIL Debtors, investigated material manual adjustments, and identified no issues. Additionally, we performed a detailed examination on selected samples from the 2023/24 Demand Notices listing. Through this testing, we did not identify any significant issues regarding the existence of the debtor balance.

Areas of Audit Focus (cont'd)

Inherent Risk

IFRS 16 - Leases

Inherent Risk

What is the risk, and the key judgements and estimates?

Implementation of IFRS 16 (Leases) has been deferred and will be mandatorily implemented in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2024/25.

The Council must however undertake the preparation of a comprehensive readiness assessment in advance of the implementation date. This assessment should disclose all known or reasonably estimable information pertinent to evaluating the potential impact that the standard will have on the financial statements during the initial period of application. The standard requires management to make significant judgments and estimates, particularly in determining the lease term, the discount rate, and the identification of lease components. These judgments and estimates are inherently uncertain.

In the draft unaudited financial statements, an estimate of the potential impact of IFRS 16 in 2024/25 has been included which is £31.2m in long term assets.

Our response to the key areas of challenge and professional judgement

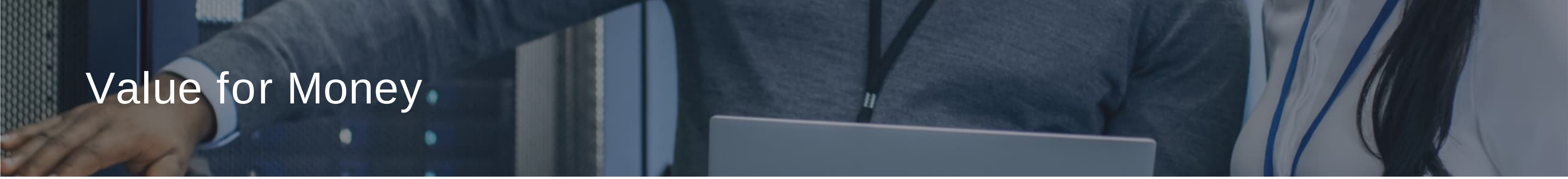
In response to the risk we:

- Reviewed the Council's impact assessment.
- Assessed that council has used an appropriate methodology for calculating the potential impact on the financial statements i.e. right-of-use assets and lease liabilities.
- Evaluated the reasonableness of the assumptions and estimates used in the impact assessment, such as the discount rate, the lease term, and the identification of lease and non-lease components.
- Engaged in discussions with management to understand their judgments and decision-making process related to the impact assessment.

What is the status of our work

We have completed our procedures on IFRS 16 assessment provided by management and noted an error In calculation. The estimated impact of IFRS 16 on Council balance sheet would be £28.3m rather than £31.2m. Management has amended the disclosure. No other issues noted.
Upon full implementation in 2024/25 we will need to complete a more detailed review of the updated disclosures as a result of full IFRS 16 implementation.

04 Value for Money



Value for Money

The Authority's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the National Audit Office Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

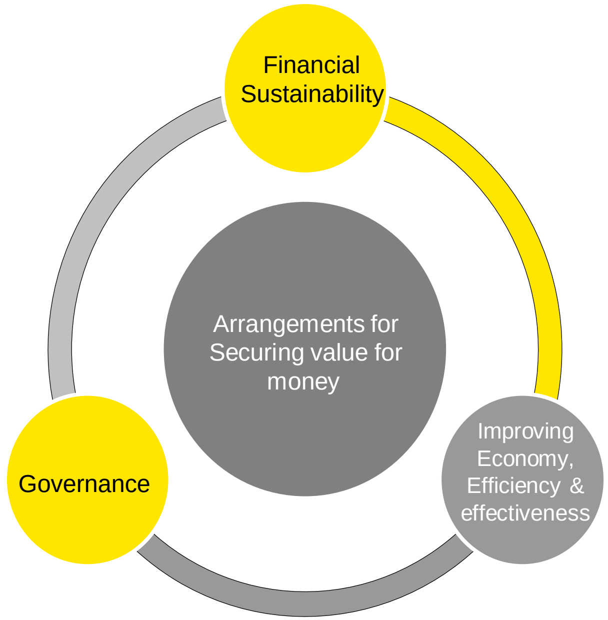
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

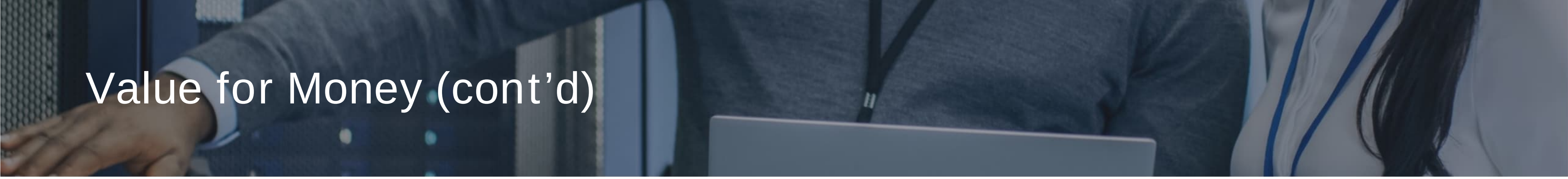
We will provide a commentary on the Council arrangements against three reporting criteria:

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

We have completed our detailed VFM work and identified one risk of significant weakness as documented on the next page.



Value for Money (cont’d)



Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
We are aware from our discussions with senior officers that the Council has bought Taylor Wimpey’s share of the JV as of December 2024, future direction of the JV will need to be further analysed with senior officers.	Governance: How the Council ensures that it makes informed decisions and properly manages its risks	*Our approach focused on:* • *Reviewing relevant documentation including, where applicable, advice supplied by either internal or external specialists ;* • *Review of minutes and key decisions;* • *Meeting with senior officers to understand the latest position with regards the joint venture.*

Findings

We will issue our VFM narrative commentary in our 2023/24 Auditor’s Annual Report which we expect to issue in February 2025.

05 Audit Report

Audit Report

Draft Disclaimed Audit Report 2023/24

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH BOROUGH COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Wandsworth Borough Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2024. The financial statements comprise the:

- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Movement in Reserves Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 48 including material accounting information.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 6
- Collection Fund and the related notes

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 2023/24.

We do not express an opinion on the accompanying financial statements of the Council and Group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for Wandsworth Borough Council was not completed for the reasons set out in the disclaimer of opinion on those financial statements dated 06 December 2024.

As a result of the disclaimer of opinion in the prior year and the scope of our audit work, which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:

- in the Group and Authority balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' and heritage assets that were not revalued in year
- in the Group and Authority comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet
- in the Group and Authority cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet

Audit Report (cont’d)

Draft Disclaimed Audit Report 2023/24

Our opinion on the financial statements

- in the Collection Fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance
- in the Housing Revenue Account and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance.

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to delays in receiving audit evidence in sufficient time before the backstop date, we have been unable to complete our audit procedures on the following balances: Council Dwellings (23/24 £1,712m; 22/23 £1,520m); Long-term Debtors (23/24 £38.565m; 22/23 £38.644); Long-term Creditors (23/24 40.274m; 22/23 £39.582m), Infrastructure assets (23/24 £117m; 22/23 £110m) and Revenue Expenditure Funded from Capital Under Statute (23/24 £18.955m; 22/23 £13.492m).

In addition:

- Due to the disclaimed audit opinion issued in 2022/23, no procedures were completed in 2022/23 in respect of the Council’s share of the London Pension Fund Authority (LPFA). We therefore have no assurance over the inputs into the triennial valuation for the duration of the triennial valuation period and have been unable to obtain assurance on the following balances: Closing Fair Value of LPFA Fund Assets (23/24 £55,599m, 22/23 £53,792m); LPFA Closing Defined Benefit (23/24 £42,779m, 22/23 £44,146m) and in-year movements that are calculated as a movement between the opening and closing balances.
- Due to delays in receiving the consolidated Group financial statements in sufficient time, we have no assurance over the Group financial statements and disclosures for 2023/24.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

Audit Report (cont’d)

Draft Disclaimed Audit Report 2023/24

Our opinion on the financial statements

Responsibility of the Executive Director of Finance

As explained more fully in the Statement of Responsibilities set out on pages 11, the Executive Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Group 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, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Finance 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 Executive Director of Finance is responsible for assessing the Group and the Council’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 the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure 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 audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council’s financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor’s report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council 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 the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Wandsworth Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wandsworth Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether Wandsworth Borough Council had put in place proper arrangements to secure 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 (as amended) to satisfy ourselves 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.

Audit Report (cont’d)

Draft Disclaimed Audit Report 2023/24

Our opinion on the financial statements

Delay in Certification of the Completion of the Audit

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Wandsworth Borough Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Wandsworth Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

26 February 2025

06 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than performance materiality of £9.9m which have been corrected by management that were identified during the course of our audit.

- Property, Plant and Equipment Classification
  - We have identified a classification misstatement of £23.6m related to Broadwater Primary School. Although the asset was closed and under construction in the 2023-24 period, it was still classified as operational property and included in the year-end valuation exercise conducted by management's external valuer, WHE. During this process, the old school was revalued, resulting in a recognized revaluation loss of £3.43m. The asset is now classified as Asset under construction and related revaluation is reversed.
- Asset under construction Classification
  - We have identified three classification misstatements summing to £15m related to152 Northcote road, Stag House and Rowditch Lane former garages which were incorrectly classified and had been incorrectly included within Assets Under Construction rather than Land and Buildings. Since the assets were not included within operational PPE at year end they were therefore not included within the year end valuation exercise. Based on this finding, management conducted a thorough assessment of assets classified under AUC at year-end to ensure proper classification. During this process, two additional assets totalling £19.5m were identified as being misclassified under AUC, despite being completed by year-end. The related valuation impact, as provided by management's external valuer, resulted in a revaluation gain of £4.62m. These has been corrected by management. We have proposed a control recommendation related to this in section 07.
- Disclosures Misstatements:

We have identified the following disclosure misstatements which have been adjusted by management.

- We have identified that in Note 42 of the financial statements operating leases-Authority as lessor disclosure does not include future minimum lease payments which is a disclosure required by the CIPFA code. Updated disclosures include: Payments no later than 1 year -£6.59m, later than 1 year but no later than 5 years - £27.23m and later than 5 years of £59k.
- In Note 36- Officers' Remuneration-, the disclosed pension amount of the Council's senior employees is understated by £61k.

Impact of uncorrected misstatements are set out on the subsequent page. Details of uncorrected misstatements are also reported in Section 01 of this report.

Audit Differences (cont'd)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

	Effect on the current period:		Net assets (Decrease)/Increase			
Uncorrected misstatements 2023/24 ('000)	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current/Reserves Debit/(Credit)
Errors						
Known differences:						
► Interest Income: Overstatement in WYRR Interest Income		1,075	(1,075)			
► PPE Additions: PY invoices recognized in 23/24				(2,442)	2,442	
► REFCUS: PY invoices recognized in 23/24		(1,670)				1,670
Judgemental differences:						
► PPE Valuation: Overstatement in Northcote Library valuation	2,606			(2,606)		
Projected differences:						
► Projected differences where the liability is overstated – accrual evidence extrapolation		(2,233)			2,233	
► Projected differences where the expenditure is overstated – accrual de minimis limit extrapolation		(5,624)			5,624	
► Projected extrapolated differences where REFCUS expense is overstated		(3,865)			3,865	
Balance sheet totals				(5,048)	14,164	1,670
Income effect of uncorrected misstatements (before tax)						
Cumulative effect of uncorrected misstatements from 2021/22 before turnaround effect in current year	2,606	(12,318)	(1,075)	(5,048)	14,164	1,670
Turnaround effect. See Note 1 below.						
Known differences:						
► Overstatement of debtors balance due to incorrect inclusion of an item reversed by a credit note.		6,539				

Audit Differences (cont'd)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 2023/24 ('000)	Effect on the current period: OCI Debit/(Credit)	Effect on the current period: Income statement Debit/(Credit)	Net assets (Decrease)/Increase: Assets current Debit/(Credit)	Net assets (Decrease)/Increase: Assets non-current Debit/(Credit)	Net assets (Decrease)/Increase: Liabilities current Debit/(Credit)	Net assets (Decrease)/Increase: Liabilities non-current Debit/(Credit)
Projected differences:						
► Unaccrued creditors identified through cut-off testing.		4,924				
► Over accrued creditors relating to Goods Received not Invoiced		(1,651)				
► Overstatement of Income and Expenditure due to incorrect accounting treatment of internal recharges – Nets to Nil		6,289 (6,289)				
Cumulative effect of uncorrected misstatements, after turnaround effect	2,606	(2,506)	(1,075)	(5,048)	14,164	1,670

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2024.

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period. The turnaround impact of an uncorrected misstatement refers to the potential consequences and effects that the misstatement could have on the financial statements, Since they have been corrected in prior period, they have a carry forward impact on following years income and expenditure.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control including group-wide or at components.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2023-24 audit (including IT controls). At the completion of the audit we will issue a formal management letter containing all of the identified points. We have identified five recommendations to management which are identified as result of our detailed testing.

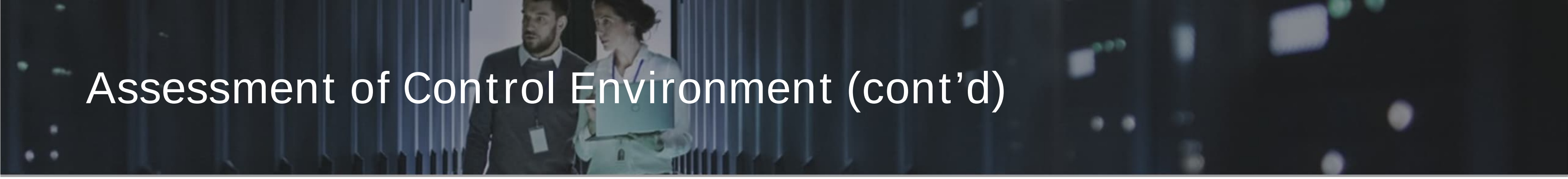
We noticed that one recommendation presented as part of FY 21/22 final Audit results report in March 2024 remains relevant for FY23/24.

	High	Moderate	Low	Total
Open at March 2022	0	0	5	5
Closed during FY23/24	0	0	4	4
New points raised in FY23/24	0	2	2	4
Total open points as at March 2024	0	2	3	5

Key:

- Green: A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6–12 months.
- Amber: Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Red: Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.



Assessment of Control Environment (cont'd)

Area	Property, Plant and Equipment Classification	Rating	Moderate

Observation

We observed that assets listed in the Fixed Asset Register under the category of "Assets Under Construction" have, in fact, reached completion and should consequently be reclassified as operational Property, Plant and Equipment (PPE). We recommend instituting a comprehensive annual review process to ensure that Assets Under Construction are accurately categorised.

Impact

The misclassification of assets in the Fixed Asset Register can lead to subsequent inaccuracies in asset valuation and depreciation charge, as assets categorized as "Assets Under Construction" are not subject to year-end valuation and depreciation which may result in distortion of the depreciation expense and surplus/deficit on asset valuation in the financial statements.

Management comment

Agreed. An annual review process is in place but this will be strengthened to ensure that Assets Under Construction are accurately categorised.

Area	Property, Plant and Equipment Additions Cut-off	Rating	Moderate

Observation

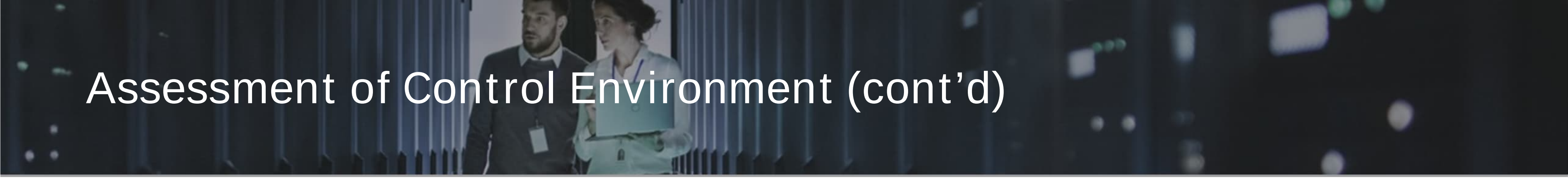
We have identified that for certain assets capitalised as additions during the year, it is challenging to ascertain the specific period to which the cost pertains, thus hindering our ability to confirm that they have been capitalised in the appropriate fiscal year. We recommend the establishment of a robust framework for determining proper capitalization of costs to ensure accuracy and consistency in financial reporting.

Impact

The timing of asset capitalisation affects the balance sheet and income statement. If costs are capitalised in the wrong period, assets may be overstated or understated in a given fiscal year, leading to inaccurate representation of the financial position. Further, capitalising cost in the incorrect period can have impact on the year depreciation and surplus/deficit on asset valuation.

Management comment

Management are reviewing this process and full management comment will be provided after analysis has been complete with WHE and EY,



Assessment of Control Environment (cont'd)

Area	System Creditors Cut-off
Rating	Low
Observation	We observed that in a few instances recording of goods received in the system has been aligned with the purchase order details instead of being based on the actual evidence of the receipt of goods which led to an overstatement of creditor balances, as not all items listed in the purchase orders have been physically received in FY23-24. We recommend a thorough management review of the process for the assessment of year-end creditor balances, ensuring that the liabilities recorded are a true representation of the goods actually received.
Impact	If creditors are recorded in the wrong period, it can lead to inaccuracies in the balance sheet and income statement. Liabilities and related expenditure may be overstated if the creditors were recorded too early.
Management comment	Partially agreed. The Council has a robust methodology for estimating accruals which can on rare occasions include using remaining values of contracts where the final invoice has not arrived and there is no other source of estimation. At each closing period the Council will continue to provide accrual guidance based on best practice.

Area	Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Rating	Low
Observation	We observed Major works billing occurs annually in October, during which the Housing team reviews all unbilled and in-progress works to assess if they can bill Leaseholders. This process includes costs from completed work and anticipated future expenses, causing the billing to span across financial years. Consequently, it becomes challenging to ensure that costs are accurately recorded within the appropriate periods.
Impact	If expenditure is recorded in the wrong period, it can lead to inaccuracies in the balance sheet and income statement. Current year expenditure and related liabilities may be overstated if prior year expenditure is recognised in the current year.
Management comment	Partially Agreed, however this observation relates to the way the council reports in year costs it incurs on its housing estates that relate to leaseholder interests as opposed to council assets. It uses the leaseholder major works bills raised as a reasonable and practicable method to produce a proxy for this estimate.

Assessment of Control Environment (cont'd)

Area	Infrastructure Assets (Rolled from PY i.e. 21/22
Rating	Low
Observation	Management will need to ensure they have sufficient infrastructure and accounting records to demonstrate compliance with Code requirements upon the expiration of the Code adaption. This will include ensuring they have a detailed list of the infrastructure assets held, confirmation of their existence and ensure that both the fixed asset register, and accounting records are updated.
Impact	Insufficient accounting records can lead to inaccurate infrastructure asset balance and related depreciation can lead to incorrect financial reporting, affecting the overall accuracy of financial statements
Management comment	This will be reviewed well in time for adoption of any new standards. However, we are still awaiting guidance from CIPFA on what exactly will be required. CIPFA are currently recommending an extension of the current temporary solution and are consulting on methods for assessing infrastructure assets.

08 Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Wandsworth Borough Council Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Wandsworth Borough Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The National Audit Office are yet to release their group instructions for 2023/24. We will perform the procedures required by the National Audit Office on the Whole of Government Accounts submission following the completion of the financial statements audit.

The audit completion certificate will be issued once this work is complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest/issue statutory recommendations under Schedule 7.

Other Reporting Issues (cont’d)

Other matters

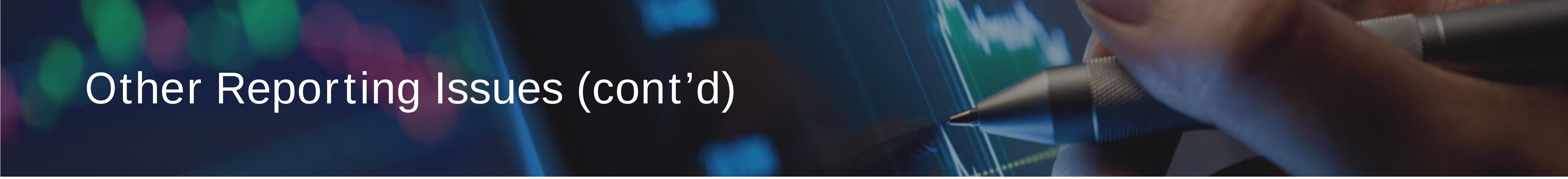
As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and

Group audits – Winstanley York Road Regeneration LLP (WYRR):

Due to the timing of receipt of updated information from the Council on the JV we have not been able to complete our work in respect of the consolidation of the JV into the Group Accounts as well as our wider Group procedures. This is considered in further detail at Appendix A – Summary of Assurance.

We have no other matters to report.



Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit procedures	Audit findings and conclusions

We performed the following procedures:
 	
We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has two relevant IT applications for the purposes of ISA 315 risk assessment.
• We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
• When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.
• We reviewed the following processes for all five relevant IT applications:
  • Manage vendor supplied changes
  • Manage security settings
  • Manage user access
  • Manage entity-programmed changes
  • Job scheduling and managing IT process
	No significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process .We have not tested the operation of any controls through this review.

09 Independence

Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

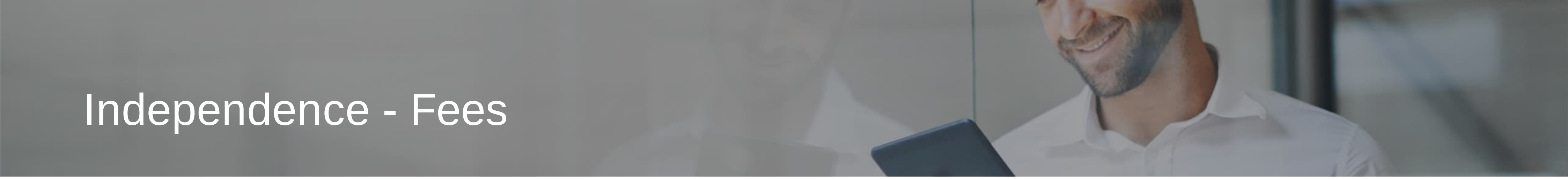
Relationships

There are no relationships from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work other than the certification of the Council’s Housing Benefit Claim for 2021/22 and 2022/23.



Independence - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	2023/24	2023/24	Prior Year (21/22 & 22/23)
	£000	£000	£000
Total Fee – Code Work	325,951	325,951	198,420 Note 1
Total audit	325,951	325,951	0
Other non-audit services not covered above (Housing benefits)	TBC	TBC	TBC- Note 2
Proposed scale fee variation 1	TBC	TBC	TBC-Note 3
Total other non-audit services	TBC	TBC	TBC
Total fees	TBC	TBC	TBC

All fees exclude VAT

(1) Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) The 2022/23 work has just been completed and a final fee will be determined shortly. For 2021/22 the planned fee represents the base fee, i.e. not including any extended testing.

(3) The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.

10 Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 5 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE') excl Council dwellings and Infrastructure Assets	Partial	We have completed testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed period, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024.
Council Dwellings	None	As communicated in section 02 above, we were not able to obtain assurance over the closing balance of council dwellings due to the accounting treatment of council dwellings additions.
Infrastructure Assets	Partial	We have completed the testing of additions and depreciation of this asset category. We are not able to complete testing on existence of infrastructure asset balance as of 31 March 2024. Therefore, We are unable to obtain full assurance over the balance of the asset category at 31 March 2024.
Investment Property	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Long Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Long Term Debtors	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. However, this includes balance from the JV over which we have no assurance due to the Post Balance Sheet Event . Please refer to Group WYRR LLP Joint Venture assurance below.
Short Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Creditors (Short term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Creditors (Long term)	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. However, this includes balances from the JV over which we have no assurance due to the Post Balance Sheet Event. Please refer to Group WYRR LLP Joint Venture assurance in next slide.
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Provisions (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Grants received in advance	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024 but, as we do not have assurance over movements across the disclaimed period, and therefore the opening balance for 2023/24, we do not have assurance over the Grants received in advance balance at 31 March 2024.
Local Government Pension Scheme Liability	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
London Pension Fund Authority(LPFA) liability/asset	None	Due to the disclaimed audit opinion in 2022/23, we do not have assurance over the inputs to the triennial valuation of LPFA, nor the Council's share of pension assets within the Fund at 31 March 2023. We therefore do not have assurance over assets and defined benefit values for the scheme as at 31 March 2024.
Reserves	Limited	We have completed our work on the movements in reserves in 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
Comprehensive Income and Expenditure Statement excl REFCUS, Employee Cost and Housing Service Expenditure	Partial	We have completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Employee Cost and Housing Service Expenditure	Substantial	We have completed our planned audit procedures in this area over 2 years i.e 22/23 and 23/24 and therefore obtained substantial assurance on current year expenditure.
REFCUS	None	We have completed our planned testing on REFCUS Samples, however as noted in control recommendation above we are not able to perform any additional procedures to quantify the impact PY expenditure that might be included within CY billing. Our assurance is therefore none on 2023/24 transactions without performing additional procedures.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
All Other Disclosures excl Group and Housing Revenue Account Statement	Partial	We have completed our planned audit procedures in this area and but, as we do not have assurance over movements across the disclaimed period, and therefore the opening balance for 2023/24, we do not have assurance over the comparatives of disclosures
Group – WYRR LLP Joint Venture	None	We have not received the accounts for WYRR timely and therefore have not been able to complete our planned procedures on the consolidated group accounts and disclosures. We therefore have not been able to get any assurance over the balances used in the equity accounting workings. We therefore have no assurance over the JV balances disclosed within Group Financial statements.
Housing Revenue Account Statement	Partial	We have completed all planned sample testing of 2023/24 transactions for Other HRA income and expenditure but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives for the Housing Revenue Account.
Collection Fund Statement	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix B – Audit approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix C – Summary of communications

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Partner and Senior Manager have held monthly meetings with the Executive Director of Finance throughout the year.
Throughout the year	Meetings, calls and emails	The Senior Manager, Assistant Manager and audit team met at least weekly with senior officers throughout the audit to discuss matters of significance to the audit.
July 2024- Audit Committee	23-24 Audit Planning Report	The partner in charge of the engagement and senior manager met with the Audit Committee members chair to discuss focus areas of the audit committee this year.
November 2024- Audit Committee	Draft 23-24 Audit Results/Update	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the Draft audit results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix D - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	PSAA Terms of Engagement
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report presented at the Audit Committee meeting on 10 July 2024
Planning and audit approach	Communication of: • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The planned use of internal audit • The significant risks identified When communicating key audit matters this includes the most significant risks of material mis-statement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report presented at the Audit Committee meeting on 10 July 2024
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025

Appendix D - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025
mis-statements	• Uncorrected mis-statements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected mis-statements related to prior periods • A request that any uncorrected mis-statement be corrected • Material mis-statements corrected by management	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025
Fraud	• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material mis-statement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025

Appendix D - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025

Appendix D - Required communications with the Audit Committee (cont’d)

		Our Reporting to you
Required communications	What is reported?	When and where
	• Matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material mis-statement due to fraud • Any other matters related to fraud, relevant to Audit Committee responsibility.	
Related parties	Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025
Independence	Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report presented at the Audit Committee meeting on 10 July 2024 Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025

Appendix D - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material mis-statement of the group financial statements.	Audit Planning Report presented at the Audit Committee meeting on 10 July 2024 Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025
System of quality management	• How the system of quality management (SQM) supports the consistent performance of a quality audit	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025

Appendix D - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Material inconsistencies or mis-statements of fact identified in other information which management has refused to revise	• Material inconsistencies or mis-statements of fact identified in other information which management has refused to revise	Draft Audit results report presented at the Audit Committee meeting on 7 November 2024 Final Audit results report circulated in February 2025
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Final Audit results report circulated in February 2025

Appendix E – Management representation letter

Management representation letter

Management Representation Letter 2023/24

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of Wandsworth Borough Council ("the Group and Authority") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Authority financial position of Wandsworth Borough Council as of 31 March 2024 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We understand that the purpose of your audit of our consolidated and parent Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) for the Group and for the Council that are free from material misstatement, whether due to fraud or error.

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5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

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- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements

3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the consolidated and parent Authority financial statements.

4. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: [list date].

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements

6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

7. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.

E. Going Concern

1. Note 1.2 to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than the events described in Note [X] to the consolidated and parent Authority financial statements, there have been no events subsequent to the period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained in the Narrative Statement and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Authority, and reflected in the consolidated and parent financial statements.

2. The key assumptions used in preparing the consolidated and parent financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), aligned with the statements

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we have made in the other information or other public communications made by us

J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Authority's assets, nor has any asset been pledged as collateral. All assets to which the Group and Authority has satisfactory title appear in the balance sheets.
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land, buildings and investment properties, IAS 19 pension liabilities and the NNDR appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

1. We confirm that the significant judgments made in making the estimates of the valuation of land, buildings and investment properties, IAS pension liabilities and the NNDR appeals provision have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates of the valuation of land, buildings and investment properties, IAS 19 pension liabilities and the NNDR appeals provision.
3. We confirm that the significant assumptions used in making the estimates of the valuation of land, buildings and investment properties, IAS 19 pension liabilities and the NNDR appeals provision appropriately reflect our intent and ability to carry out estimates of the valuation of land, buildings and investment properties, IAS 19 pension liabilities and the NNDR appeals provision on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).
5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates of the valuation of land, buildings and investment properties, IAS 19 pension liabilities and the NNDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Authority financial statements.

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M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Fenella Merry – Executive Director of Finance

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Councillor Denise Paul - Chair of the Audit Committee

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