

Audit Findings for Southwark Council

Financial Year ended 31 March 2022

Southwark Council
January 2024



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

This is an update to the Interim report previously presented to the Audit, Governance and Standards Committee in November. Updates to the Interim report have been made in red text, our work is now near completion subject to the matters noted on page 3.

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Southwark Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

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

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

Our audit work was scheduled to be completed from October 2022 to January 2023. Due to the following factors the work was not completed in this timeframe:

- At the time there had been considerable level of staff turnover within the Council since the previous audit. This also meant that finance staff in post had less involvement in the preparation of the 2021-22 financial statements.
- The timing in which queries were responded to with a number being received after the end of the audit booking to our sample/audit queries.
- Challenges in receiving timely and detailed responses from the property valuation team.
- We faced some challenges in accessing data via the remote desktop access that we were required to use.
- National challenges around the audit backlog and accounting issues such as infrastructure assets. These are noted in more detail in our Progress report/Sector Update.

This resulted in us extending the teams booking were possible into February and March before we turned our attention to our health audit portfolio. We have since recommenced the audit from mid-October 2023. Due to the passage of time, there have been internal changes to the staff meaning the Key Audit Partner and Senior Manager have changed. Where possible though we have ensured continuity in other parts of the audit team.

The change in team has meant additional levels of review were required and there was aspects of our property valuation queries, the Collection fund work and other sample areas that required completing. This resulted in the team working through these queries in November and December whilst also working on the 2022-23 financial statements audit. Our work is now nearing completion, with the following work left noted below:

- Responses to follow up queries on Investment Properties and Surplus Assets.
- Receipt of evidence regarding Change of Circumstances relating to our work on employee costs.
- Follow up queries on the HRA statement.
- Completion of final file reviews.
- Checks and receipt of the final version of the accounts.
- Receipt of management representation letter.
- Finalisation of Pension Fund audit.

Based on our work to date our anticipated audit opinion is unmodified in relation to the financial statements, subject to the items listed above being concluded. We also to date have not identified any issues with the other information to be published with the financial statements.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of the delivery of the planned financial performance in 2021-22, along with the future plans of the Authority in 2022-23 and beyond, in particular in relation to the Housing Revenue Account.

Our Value for Money work and findings can be found in our Annual Auditors Report. We have identified one significant weakness in relation to the Council's arrangements in relation to financial sustainability of the Housing Revenue Account. Details of these findings can be found in the Annual Auditors report.

Our work on the Value for Money arrangements cannot be finalised until we finish our work on an objection to the accounts. Once we have done so we will consider if the finalisation of this work identifies any further matters in our Value for Money conclusion.

Statutory duties

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

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

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

We are reviewing an objection received regarding the councils Housing Revenue Account.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements and the completion of our review of this objection. The objection itself relates to a matter subject to an Internal audit review, we have seen a draft version of this report and have some follow up queries with management and Internal audit. We require responses to this and the finalisation of the report before we are able to complete our work on this objection.

Significant Matters

We identified the following significant matters during our audit:

- Challenges in obtaining timely responses from the Council's property valuers.
- Delays in responsiveness to Audit sample queries along with changes to key finance officers, resulting in the finance team having in some instances to facilitate the audit of a financial statements that pre-dated them joining the Council. We appreciate this is also challenging for the finance team and thank them for their support during the audit.
- Additional work required in relation to an objection received from an elector.
- Reviewing the Canada Water Development treatment in the 2021-22 financial statements.
- Additional work coming out of the triennial pension valuation which resulted in a material positive adjustment to the Council's Pension liability of £36.5m

These matters have all lead to extended time and cost on the audit that were outside the scope of work set out in our Audit plan. This has led to the fee variation proposed in Appendix D of this report.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.
- The Materiality set for the audit is £17.9m, Performance materiality at £11.6m, this remains unchanged from the levels communicated in our Audit Plan in July 2022. This was based on 1.4% of your gross expenditure for the year. We report to the Audit, Governance and Standards Committee any misstatements or matters identified above triviality which has been set at £900k.

There have been a number of national issues that came to light during the audit period, including:

- The need to consider the impact of RAAC on asset valuations held at Public sector bodies.
- Issues around Infrastructure assets that lead to a temporary adjustment to the CIPFA Code as set out in CIPFA Bulletin 12- Accounting for Infrastructure Assets.
- As well as the need to consider updated triennial Pension Valuations which is as a result of the triennial information being available before the 2021-22 financial statements were complete. This has led to a £36.5m positive adjustment to the Council's Pension liability at the year end.

Conclusion

We are working towards the completion of your financial statements audit providing the points set out on page 3 of this pack are satisfactorily resolved we will then anticipate we will issue an unmodified audit opinion.

Acknowledgements

As noted there have been specific challenges on this audit including some issues around the way the audit progressed. We do note some of this was outside of the finance teams' control, resulting from inevitable staff turnover, with this issue being exacerbated by the overall Audit backlogs, meaning new officers were having to facilitate the audit of a historical financial statements. We also appreciate that our own turnover of staff has impacted the timeframe it will take to complete the audit and thank the finance team for their patience as we work through this process.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff and for their patience as we have worked through these issues.

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.

We undertook the following procedures:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested journals we considered to have the greatest risk of material misstatement or from our data analytics Journals that were identified to be unusual. We then tested these Journals for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

Our testing on Journals has taken significantly longer than we would expect which is in part as a result of staff turnover. Consequently, there were a number of Journals relating to the 2021-22 financial statements that officers struggled to provide explanations regarding.

Our work is now complete, and no issues were identified in relation to Management override of Controls. However, we have reported two matters in our Action plan regarding the maintenance of appropriate backup to support historic Journals and a control deficiency in relation to Journal super user access.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

In the Audit Plan, we reported that having considered the risk factors set out in ISA240 and the nature of the Authority, we had determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- There is little incentive to manipulate revenue recognition.
- Opportunities to manipulate revenue recognition are very limited.
- The culture and ethical frameworks of local Authority's, mean that all forms of fraud are seen as unacceptable.

There have been no changes to our assessment as reported in the Audit Plan and our work on this area is complete.

Improper Expenditure recognition

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period.

Based on our risk assessment we do not consider there to be a significant risk of fraud or management manipulation of such balances. We did identify the completeness of other expenditure as an Other risk but given its value and the nature of the stream we did not determine this to be a significant risk in our audit strategy.

There have been no changes to our assessment as reported in the Audit Plan and our work on this area is complete.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings and Council Dwellings

The Council revalue its land and buildings on a rolling five-yearly basis. Council Dwellings are valued on a Beacon basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.494 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used

We therefore identified valuation of land and buildings and Council Dwellings particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

During the audit, we have undertaken the following work:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
- Evaluate the competence, capabilities and objectivity of the valuation expert.
- Discussed with and wrote to the relevant valuer to confirm the basis on which the valuation was carried out.
- Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and the guidance regarding the valuation of council dwellings and social housing.
- Reviewed and tested a number of assets back to market data for properties in that area.
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- Recalculated the valuations, testing key inputs including BCIS rates, floor areas, obsolescence rates and other key assumptions used in both DRC and EUV valuations. We also considered the appropriateness of the basis of each method for determining the assets valuation.
- Reviewed a sample of assets to test the appropriateness of the Beacon applied as well as undertaking existence testing of a sample of assets.
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

From our work the following matters were noted. The valuation for Council houses and Other Land and Buildings is performed with a valuation date of the 31st December, 3 months prior to the year end. This creates a high risk that market fluctuations will result in adjustments to the Year-end value. Given the size of the Council's Property Plant and equipment we consider this method to create a risk of material misstatement and have raised this in our Action plan.

We also identified that the approach taken in DRC valuations around the BCIS data was not consistent, with BCIS data used at dates that were not always the date of the valuation.

Following our review, the following variances/uncertainties were noted in the below asset classes:

- A potential understatement of Other Land and Buildings of £10.65m due to differences in market data at the 31st March to the 31st December.
- A potential Understatement of Other Land and buildings of £1.6m in relation to assets that were not revalued in this financial year.
- A potential understatement of Other Land and Buildings in relation to BCIS data of £1.26m
- An overstatement of Council dwellings of £8.46m due to downward market movements from December 31st to March 31st.

Due to these misstatements netting of the cumulative uncertainty is £5.05m. As this is below our materiality thresholds, we are satisfied with this not being adjusted for. However, we note if there were more significant market fluctuations in the final quarter of the year there would be a risk with the current arrangements of material changes in the valuation.

Our work is substantially complete, with the final quality checks being undertaken.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Investment Properties

The Council revalues its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£338 million) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2022.

We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement

During the audit, we have undertaken the following work:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- Recalculated the valuations, testing key inputs including yields applied, rental information used, and all other key assumptions applied in the valuers' calculations behind the asset's valuation.
- Assess the value of a sample of assets in relation to market rates for comparable properties.

We had some issues in relation to our work on Investment Properties in receiving complete responses from the Council's Internal valuation team during our first audit visit. This was made more challenging following the officer who performed the year end valuation having then retired. This meant other valuation officers had to help support valuations they had not performed. From this process we identified at times the valuations performed did not always set out clearly in the way they were calculated or maintained in a way that allowed someone else to quickly reperform the work. In addition, backup to support key assumptions such as market data around rental/sale prices were not clearly saved or referenced to in the calculations. This has elongated the process of completing the work on these valuations on both sides and we do appreciate the support the valuation team who have picked up the work have provided to help resolve our audit queries in what have been challenging circumstances. Our work on this area is now near completion, however, there are further follow up queries we are awaiting final responses on to enable us to finalise our work on this area. We also are in discussion with management around whether some surplus assets should be classified as Investment properties.

Due to the above-mentioned issues, we have raised some findings in our Action plan in relation to the record keeping and supporting records held for the valuations performed.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity to change due to changes in market conditions (£371.3 million in the Council's balance sheet PY 687.6m).

The Council has two material pension schemes the London Pension Fund Authority and the London Borough of Southwark Pension Fund, with both requiring review.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

- Gained an understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.
- Evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work.
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation and the actuary who undertook the valuation of the unfunded Police Pension Liability.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

The Council is part of the London Borough of Southwark Pension Fund. The latest triennial valuation for the London Borough of Southwark Pension Fund has recently been published. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions.

As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures at 31 March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's net Pension liability has favourably moved by £36.5m therefore reducing the liability from £407.8m to £371.3m in the updated financial statements. Material changes were also identified to the corresponding Pension disclosure notes.

Additional audit work was required in respect of this issue, resulting in an increase to the audit fee (see Appendix D). This included obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the Financial statements. From our work on the Pension Liability, we identified the following in relation to the restated position:

- From our testing of the Pension Fund accounts an understatement of the Gross assets of £18.4m was identified. This was due to more up to date Investment data becoming available after the valuation date. The Council's share of the Gross assets is 96% which would indicate the gross assets are understated by £17.66m. We have agreed with management that this will require adjusting due to the amount being so near our materiality threshold, this provides the Council a £17.66m benefit to the overall Pension Liability.
- In our review of the key assumptions used by management we noted that the mortality figures used were lower than our expected range, obtained from our actuaries' expert. The potential impact of this creates an uncertainty that the overall liability may be understated. Despite this we are satisfied that this uncertainty would not be material and our calculations note that if the mortality figures used were within our expected range a potential understatement of £8.24m would arise.

We deem the change in asset value to be a factual misstatement, when considering IAS 10, which we have agreed with management will be amended. Whereas the difference in the mortality figures we deem to be an uncertainty and have therefore not reported this in our misstatement log in Appendix C.

2. Financial Statements Other Risk Areas

Issue

Valuation of Infrastructure Assets and the presentation of the gross cost and accumulated depreciation in the PPE note

Infrastructure assets includes roads, highways, streetlighting and coastal assets. Each year the Council spends circa £25 million on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £329 million which is over 17 times materiality.

In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address

The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.

The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.

This was therefore highlighted as an Other Risk area in our audit plan.

Commentary

We undertook the following work on this area:

- Reconciled the Fixed Asset Register to the Financial statements
- Using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets
- Obtain assurance that the UEL applied to Infrastructure assets is reasonable
- Document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated
- Considered the latest CIPFA guidance on the matter.

Following CIPFA's consultation on the matter they released the CIPFA Bulletin 12, which enables authorities from the 1st April 2021 to the 31st March 2025 a temporary relief not to report on gross cost and accumulated depreciation for infrastructure assets. Following discussion with management they determined to take advantage of this simplified reporting in the updated financial statements. In our view the update to the CODE and this revised reporting does mitigate the risk identified in our audit plan.

However, as part of our work we did still undertake work to gain assurance around the Net Book Value of the assets. From this the key aspect is the Useful Economic Life of the assets. Our review overall found the lives used to be reasonable.

We note due to the 2020-21 audit being open this bulletin was applied in the 2020-21 financial statements and the updates noted above have been consistently applied in both years accounts.

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance and Standards Committee. . We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	<p>A letter of representation will be requested from the Council. We will make specific representations on the following matters:</p> <ul style="list-style-type: none"> • That all post balance sheet events have been made aware to us as part of our audit procedures. • There are no known RAAC issues which would impact the valuations of property assets. • The Council has no liabilities in relation to equal pay liabilities.

2. Financial Statements - other communication requirements



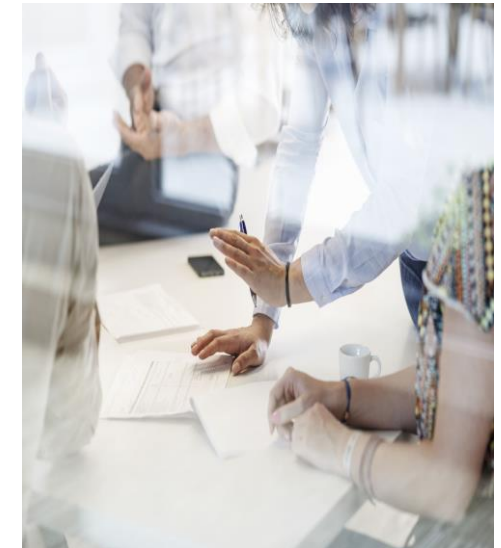
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified from our work performed.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to date to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £2 billion, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>We will complete this work following the completion of our financial statements work.</p>
Certification of the closure of the audit	<p>To certify the audit, we are required to ensure the following work is complete:</p> <ul style="list-style-type: none"> • WGA Audit procedures- as noted above there remains procedures to be completed. • Review of objections work- this is complete, and we have issued our Statement of Reasons on this matter. <p>In the final version of this report on the closure of our financial statements opinion we will note if we have been able to complete the above steps and are able to certify the audit.</p>

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

Our value for Money work can be found in the Annual Auditors Report.

In this work we have identified one area of significant weakness in relation to the Financial sustainability of the Housing Revenue Account. Please refer to our Annual Auditors report for full details of our Value for Money work and the associated recommendations we have made following the work performed.

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Action plan – Audit of Financial Statements

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.



Assessment	Issue and risk	Recommendations
<p style="text-align: center;">●</p> <p style="text-align: center;">High</p>	<p>Valuation of Property Plant and Equipment including Other Land and Buildings and Council dwellings</p> <p>In our work in reviewing the asset valuations the following issues were noted:</p> <ul style="list-style-type: none"> • BCIS data was used at various dates for different assets leading to changes in the valuation vs if the correct BCIS data was used. • The Council values most of the assets as at the 31st December given the overall portfolio size this creates a possibility of material changes in the asset values in the following 3 months. <p>We consider the Council not revaluing assets at the YE date but at December 31st as posing a significant risk of creating material misstatements in the financial statements. Our work this year has identified in relation to this point a £10.65m understatement in Other Land and buildings and a £8.46m overstatement in Council houses. In addition, the BCIS data being used indicates a £1.26m variance than if the figures at the appropriate valuation date were used.</p> <p>Although these along with other variances in our valuation work net of to 5.2m in this financial year if there are more significant changes in the data then it is likely to be material given the size of the Councils asset base.</p> <p>Therefore, the current arrangements we consider to create a high risk of material misstatement.</p>	<p>We recommend the Council uses the year end date as the valuation date in all valuations and ensures the appropriate BCIS figures are used in the Year end valuations.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>

Controls

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

A. Action plan – Audit of Financial Statements

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Assessment	Issue and risk	Recommendations
 Medium	<p>Maintenance of Records to support Journals posted</p> <p>Due to a number of changes in the finance team in the time between the preparation of the financial statements and the completion of the audit there were challenges obtaining backing for 6 Journals posted. For these 6 Journals although there was no evidence of management override of Controls, we noted that management had failed to maintain appropriate support for these postings.</p> <p>This creates challenges when staff leave and in general the pace, we are able to then complete our audit procedures. It also creates a risk when staff leave or have unforeseen periods of absence.</p>	<p>We recommend the Council reviews its processes and instructions for officers to ensure sufficient records are maintained to support Journals posted.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>
 Medium	<p>Records to support Investment property valuations</p> <p>In our review of Investment properties and in some instances other property valuations we found the following issues:</p> <ul style="list-style-type: none"> • Calculation sheets did not always have clear formulas to support them. • It was not always clear what supporting evidence or comparable data was used to produce the year end valuation for assets. • The record keeping of evidence used to support the valuations was not well maintained following a key staff member leaving the Council. <p>This created a number of challenges to the audit team and the internal valuation team who had to do a significant amount of work to reperform and identify appropriate evidence to support the year end valuations.</p>	<p>We recommend the Council reviews its working paper requirements used to support the year end property valuations. Including having shared folders for key evidence used for each asset type as the valuation is performed.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>

Controls

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- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements



We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>Canada Water</p> <p>As has been highlighted in the 2020-21 Audit Findings report the Canada Water site has a number of complexities to consider. Although we are satisfied the accounting judgements made in the previous year are appropriate there are a number of future events that could result in changes to the current treatment:</p> <ul style="list-style-type: none"> • The accounting for the Leisure Centre the Council is having built as part of the arrangement. • Future lease receivables and contractual payments the Council may be due depending on options exercised within the agreement. • Any future changes in the arrangements that may require a reassessment of the Councils accounting for the matter. In addition to this the impact on future capital commitments. <p>The Council currently at the year-end does not prepare a detailed paper reviewing and assessing its accounting treatment of the matter. Given the complexity of the matter we deem it to create a risk that the preparation of this key paper is not part of the Council's year end closedown procedures.</p>	<p>We recommend the Council performs a detailed annual review of this matter and clearly documents this in a paper each year.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton's recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>
<p>● Medium</p>	<p>Review of Contingent Assets and Disposals</p> <p>In our testing of PPE disposals we identified a number of the gains on disposal related to complex arrangements where the Council had previously sold assets in which there were future conditions that could result in further payments being made, although these were contingent on specific future events taking place. In our view these gains reflect largely Contingent Assets. We note this has not been previously disclosed in the Council's accounts.</p> <p>We recommend the Council undertake a detailed review to ensure Contingent assets are disclosed in the accounts as is required by the CIPFA Code. We also note that having this in the financial statements reviewed on an annual basis will help ensure these arrangements are appropriately reviewed on an annual basis.</p>	<p>We recommend management review Contingent assets and ensure they are appropriately captured in the financial statements.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton's recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>

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

A. Action plan – Audit of Financial Statements



We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p> Medium</p>	<p>Related Parties</p> <p>As part of our audit procedures, we undertake checks to Companies Houses for interests declared by members. As part of these checks, we identified 3 members had undeclared interests based on the Companies House records. Although none of these 3 bodies had transactions in the year with the Council they were based in the local area.</p> <p>This creates the risk that related parties are not appropriately identified and disclosed as required by IAS 24.</p>	<p>We recommend the Council remind Members of their responsibilities to fully disclose their interests in the relevant declarations. In addition the Council should consider periodic checks on the declarations made.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>
<p> Medium</p>	<p>Review of Capital Records</p> <p>During our audit procedures relating to the Capital areas, we identified the following issues:</p> <ul style="list-style-type: none"> • £2.3m of impairments that had been misclassified as a loss on disposal. • The Council had incorrectly capitalised £58k of demolition and spoil costs and £12k of costs relating to security Guards. Although the extrapolated misstatement was £860k below our reporting limit we note both items clearly do not meet the IAS 16 definitions of being capital spend. • We identified that a number of assets sitting in Surplus assets either met the definition of Assets Under construction or Investment properties upon further review. Although it was noted at the time it was appropriate to move these assets to these headings, we noted there had not been sufficient review over this judgement as part of the year end closedown procedures. <p>In our view the above matters represent deficiencies in the year end capital closedown process that increase the risk of misstatement in the financial statements.</p>	<p>We recommend the Council reviews the year end capital procedures to ensure sufficient review of capital spend, disposals and the classification of assets takes place.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>




Controls

A. Action plan – Audit of Financial Statements

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Low	<p>Internal Audit review of Home Care overpayments</p> <p>We note per Internal audit reviews it has been that for BUPA there had been duplicate overpayments made of the MOSAIC system in the 2021-22 FY.</p> <p>This resulted in a cumulative overpayment to BUPA of £453k of which £345k has been clawed back. The Internal Audit report identified control weaknesses that lead to these overpayments. We have therefore raised this as a deficiency in the year end controls. Due to the value of the issue, we have raised this as a low risk rating due to this having a low likelihood in resulting in a material misstatement to the Financial statements and to reflect this has previously been reported to members.</p>	<p>The Council should implement the key findings made in the Internal audit review. This includes providing a training module to staff regarding this area of work, ensuring the finance service division monitors the financial information within Mosaic at the appropriate level of detail and that the recommendations around Purchase orders are implemented.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>
 Low	<p>Pooled budgets</p> <p>The Council’s Pooled Budget arrangement was signed on the 17th May 2022, meaning the agreement for 2021-22 was not signed until after the year end. This creates a risk that if there are disputes around the agreement there is no signed contract by both parties.</p>	<p>We recommend the Council ensure all key contracts/agreements are signed in an appropriate time period.</p> <p>Management response</p> <p>We are in the process of determining our responses to Grant Thornton’s recommendations, we will provide a verbal update of these actions to the Audit and Risk Standards Committee.</p>

Controls

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

B. Follow up of prior year recommendations

The Final Audit findings report was presented to management for 2020-21 in April 2023.

We note there are 3 recommendations that were reported in our 2020/21 Audit Findings report, one of which will be reviewed in our Annual Auditors report as it relates to a Value for Money finding. The other 2 are noted below and we note one finding remains and the other we are still completing our work on.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Self-Authorisation of Journals</p> <p>During our detailed journals testing in 2019/20, we identified two users who had posted and authorised their own journals. We subsequently undertook further testing on the journals posted by these two users, which identified further self-authorised journals by one of the users. This finding was also identified in the 2020-21 financial statements audit.</p> <p>Whilst we were content with the sufficiency and appropriateness of the journals selected, this gap in the control environment does increase the potential for inappropriate journals to be posted without this being picked up. We understand the potential challenges over the practicality of implementing a control in this area, but the Council needs to weigh up the risks of what could occur without a control of this type.</p> <p>We recommend that there are appropriate controls in place to prevent the self-authorisation of journals to reduce the risk of inappropriate journals being posted. If journal specific controls cannot be introduced, higher level controls should be considered to provide some assurance in this area.</p>	<p>Management have introduced manual authorisation in year with Journals being sent to an officer via the “approval hierarchy” and then officers maintaining backups of approvals for Journal postings. Although we note this has improved the process overall for a Council of your size, we would expect there to be an automated Journal authorisaiton system to be in place. This is because manual processes such as this are reliant on staff following the process rather than being enforced.</p> <p>We note all journal authorisations were provided in year and therefore this issue did not occur in the 2021-22 financial statements audit. But we do still consider there to be a risk that this could occur in future years.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p data-bbox="427 459 1151 483">Incomplete Income and Expenditure Balances at year end</p> <p data-bbox="427 501 1151 740">As mentioned in the 2020-21 Audit Findings Report, our cut-off testing on both income and expenditure identified a number of issues which resulted in a considerable level of additional testing to determine the full impact of the errors identified. Whilst we recognise the speed at which the Accounts were produced for audit, the Council need to strike a balance between this speed and ensuring that the Accounts are materially complete and include all relevant transactions relating to the financial year.</p> <p data-bbox="427 758 622 778"><i>Recommendations</i></p> <p data-bbox="427 796 1151 884">Management should revisit the closedown timetable to ensure sufficient time is allowed to ensure that all relevant income and expenditure items are included in the Accounts where applicable.</p>	No such issues were identified in year therefore this is considered as having been addressed.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments – Main Statements

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net Assets £m
<p>Triennial Pension Valuation</p> <p>The Council is part of the London Borough of Southwark Pension Fund. The latest triennial valuation for the London Borough of Southwark Pension Fund has recently been published. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions.</p> <p>This resulted in a 36.5m upward movement to the liability. Note this change has no impact on the Council's General Fund balance and is treated through Unusable Reserves.</p>	Remeasurement of the net defined benefit liability CR £36.5m	DR – £36.5m Net Pension Liability	£36.5m
<p>Pension Liability Variances</p> <p>From our testing of the Pension Fund accounts an understatement of the Gross assets of £18.4m was identified. This was due to more up to date Investment data becoming available after the valuation date. The Councils share of the Gross assets is 96% which would indicate the gross assets are understated by £17.66m.</p>	Remeasurement of Net Defined Liability 17.66m	DR Pension Liability 17.66m	17.66m
<p>Surplus Assets Classification</p> <p>From our audit work to date we have identified that that on further review the Council failed to reclassify Surplus assets. From this review these assets should have been reclassified to either Assets Under Construction or Investment Properties.</p> <p>We are still in discussion with management on the impact to the Financial statements, but it is expected the most significant change will be between Property, Plant and Equipment and Investment properties.</p>	TBC	TBC	TBC
Overall impact	CR £55.16m	DR 54.16m	£54.16m- Unusable reserves

C. Audit Adjustments – Main Statements

Impact of unadjusted misstatements

All unadjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net Assets £m	Reason for not adjusting
<p>Property Plant and equipment Indices variances plus variances for BCIS data used</p> <p>The Council performs a periodic review of assets revalued and for those not revalued we identified a variance of £1.75m understatement in OLB assets following our indices review.</p> <p>We also identified for OLB assets that the assets were understated by £1.26m relating to BCIS data used that was different to the valuation date.</p> <p>In addition, the Council values Property Plant and equipment at the 31st December which when we applied indices to identified that Council houses were overstated by £8.46m and Other Land and Buildings were understated by £8.46m.</p> <p>The total variance indicates and understatement of PPE by £5.2m.</p>	<p>Revaluation Reserve</p> <p>CR 5.2m</p>	<p>Property Plant and Equipment</p> <p>DR - 15.2m</p>	£5.2m	Not a factual misstatement and impact of not fully revaluing all assets held.
<p>Provisions</p> <p>The Council did not update the provisions balance for the Insurance provision. This meant it remained unchanged at £9.03m at the 31st March 2021 and the 31st March 2022. The Council insurance report states the balance should be £7.38m at the 31st March 2022 meaning the provision balance has a potential overstatement of £1.65m.</p>	<p>Expenditure</p> <p>CR 1.65m</p>	<p>Provisions</p> <p>DR 1.65m</p>	1.65m	Council deem this to be an estimate and given the relatively small change feel it prudent to keep the prior year figure.
Overall impact	CR £6.85m	DR 6.85m	£6.85m	

C. Audit Adjustments - Misclassification and disclosure changes

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

Disclosure omission (draft account numbering)	Auditor recommendations	Adjusted?
CIES	<p>From our review of the accounts, we have identified the Council have incorrectly disclosed impairments as a loss on disposal meaning it has not been charged to services as is required by the CIPFA Code. This was the case for 2 sample items of £2.3m in value, in our loss on disposal testing we tested £13.9m of the £33.1m balance and if extrapolated the variance is below materiality. We have raised this as a control finding in our action plan as part of other Capital findings from our audit work.</p> <p>Based on management's assessment it has meant 7.9m was overcharged below the line that should have been charged to specific service lines.</p>	No- due to no bottom line impact
Collection Fund Income and Expenditure Statement	<p>It was identified in our testing of the Collection Fund Statement that the Council had incorrectly netted of successful appeals against the total Income. This resulted in the Expenditure and Income in the statement being both understated by £30.9m This error had no impact on the overall Collection Fund Deficit.</p>	Yes
Narrative Report	<p>It was identified upon our review of the Narrative report that although there was data reviewing the Councils financial performance in year there was not the level of disclosure the Code requires around how the Council has performed against its Strategic Objectives.</p>	No
Note 12 Usable Reserves	<p>It was identified that the Covid 19 reserve had put the Transfers in and the transfers out respectively in the wrong headings. This was due to human error.</p>	Yes
Infrastructure Assets Property Plant and Equipment- note 13	<p>The Council has updated the Property Plant and Equipment note to take into account the CIPFA Bulletin 12- Accounting for Infrastructure Assets. In doing so they have taken the option to report the balance on a net basis.</p>	Yes

C. Audit Adjustments - Misclassification and disclosure changes

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

Disclosure omission (draft account numbering)	Auditor recommendations	Adjusted?
Note 19 Provisions	The provisions note had not disclosed the successfully utilised NNDR Appeals in year. This was to the value of £9.3m.	Yes
Note 20 Dedicated Schools Grant	Changes were made to ensure consistency in how the surplus/deficit is reported year on year and the movement in the Balance. We note the Council has a large deficit in this balance at the Year end.	Yes
Note 21- Grant Income	A number of grant headings were incorrectly misclassified including Covid-19 Funding grant, Social Care support grant and the Public Health Grant. These have been updated accordingly in the final statement of accounts.	Yes
Note 27- Audit Fees	The audit fees in the draft financial statements does not tie back to the fee in this report. Per the ICAEW requirements the final fee should tie back to the final ISA260 report. The reason for this is the final fee had not been determined or communicated on the preparation of the draft accounts.	TBC
Triennial Pension Valuation MIRS, Pension Reserve note 23 and Note 37 Defined Benefit	The pension schemes note relating to the LGPS scheme required updating due to the triennial pension review. This note was fairly stated in the draft accounts but due to more up to date information becoming available during the course of the audit management updated the figures to reflect the material changes in the net pension liability, gross liability and gross asset's valuation along with the changes to the MIRS.	Yes

D. Fees

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

Audit fees	2020-21- Agreed with management	2021-22
Fee Per Audit Plan	£257,718	£252,718
Objections Work	£25,000	£28,000
Canada Water Additional work	£30,000	TBC
Additional VFM work	£50,000	TBC
Other Additional Audit work	£20,000	£32,500
VFM Additional Risks	N/A	12,500
Total audit fees (excluding VAT)	£382,718	£325,718

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Pooling of Housing Capital Receipts	7,500	TBC
Certification of Teachers Pension Return	8,000	TBC
Certification of Housing Benefit Claim	63,000	63,000
Certification of GLA Compliance Return	5,000	TBC
Non-Audit Services		
CFO Insights subscription	10,000	10,000
Total non-audit fees (excluding VAT)	£93,500	TBC

D. Fees

The table below provides a reconciliation between the Scale Fee agreed by PSAA and the fee per the Audit plan as well as our interim fee proposal. Note the final fee for the 2020-21 audit was £382,718.

Category	Final fee (£)
Scale Fee	182,718
Additional audit procedures arising from a lower materiality	£6,575
Enhanced audit procedures for Property, Plant and Equipment – estimate of cost charged to external expert	£2,630
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISAs 540, ISA 315	£11,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Additional procedures to address other local risk factors	£22,500
FRC response – enhanced audit procedures	£4,295
Fee Per Audit Plan	£252,718
Other Costs arising during the Audit period	
Statutory Powers – Work on an Objection	28,000
Enhanced procedures relating to HRA/GF ring fenced Accounting	£7,500
Costs associated with staff Turnover, delayed responses from Valuer and pace/quality of responses to audit sample queries and work associated with Triennial Pension review	£22,500
Additional work required in relation to the Triennial Valuation	£2,500
VFM Additional Risks	12,500
Final Audit Fee	£325,718

Status of the audit and opinion

Appendix E - Audit opinion

Our anticipated audit report opinion will be unmodified dependent on the satisfactory resolution of the matters noted in this report and no matters coming to our attention that would materially impact the Financial Statements.



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