

The Audit Findings for Swindon Borough Council

Year ended 31 March 2023

6 December 2024



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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.

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 the Audit Committee.

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1. Headlines

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

Financial Statements

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

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and 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) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed during the period June 2023 to January 2024, with final completion undertaken in December 2024. Our findings are summarised on pages 7 to 17. We have identified a number of adjustments to the financial statements and these are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work which are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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

We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weakness we have identified in the Council's arrangements is detailed on page 23 of this report and was also included within our Auditor's Annual Report that was presented to Audit Committee on 30 January 2024.

Our audit report opinion issued on the 6 December 2024 is qualified.

The external audit of Wiltshire County Pension Fund is not yet concluded for 2022/23 and Pension Fund assurances under AGN 07 are not available. There is uncertainty over the timing of when the Pension Fund audit will be concluded, and the auditors have confirmed we will not receive an IAS 19 assurance letter given the statutory backstop date of 13 December 2024 for all financial years up to 31 March 2023 where the audit has not yet been concluded. In the current circumstance, the only means for us to get assurance over the Pension Fund assets and liabilities disclosed in the accounts would be to audit the Pension Fund directly and undertake alternative procedures. This would not be in the interests of the public purse. Management have stated that in the interests of openness and transparency they wish to publish signed accounts for stakeholders. To limit further delays, management have determined it appropriate to limit the scope of our work in respect of the net defined benefit pension plan liability as disclosed in the balance sheet and associated Pension Fund asset and liability disclosures in the financial statements. Consequently, we have been unable to determine whether any adjustment to the group's share of Wiltshire Pension Fund's assets and liabilities, or other amounts disclosed in the financial statements in respect of the share of assets and liabilities, are necessary. In addition, were any adjustment to the defined benefit pension plan net liability to be required, the narrative report would also need to be amended.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the January 2024 Audit Committee. We identified a significant weakness in the Council's arrangements in relation to delivery of actions required following a recent Office for Standards in Education (Ofsted) inspection of the Council's Childrens Services. and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report on pages 22 and 23.

Statutory duties

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

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

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

We have completed the work under the Code, with the exception of the items outlined on page 3 of the report and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

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

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the findings 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 Committee.

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

Audit approach

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

- An evaluation of the group's internal controls environment, including its IT systems and controls.
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that no subsidiaries were individually significant and an analytical review would be carried out. No reliance on component auditors.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have had to alter our audit plan, to reflect the new significant risk outlined on page 12 of this report in relation to the completeness and accuracy of payroll information.

We also recognise that following the outcomes of recent quality reviews the extent and nature of our audit queries have increased and involved greater scrutiny in areas that have not been reviewed in such detail in previous years.

Conclusion

We have completed our audit of your financial statements and issued a qualified audit opinion on 6 December 2024.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. Both your finance team and our audit team faced audit challenges again this year but there has been a noticed improvement on the information and timeliness compared to the prior year.

2. Financial Statements



Our approach to materiality

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

We detail in the table our determination of materiality.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	8,000,000	6,900,000	Materiality has been based on 1.3% of Gross Operating Expenditure.
Performance materiality	6,000,000	5,200,000	Low level of deficiencies in control environment and quality of financial statements in prior years. Calculated as 75% of materiality.
Trivial matters	400,000	345,000	Based on 5% of materiality.
Materiality for specific transactions, balances or disclosures [senior officer remuneration]	20,000	20,000	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.



2. Financial Statements: Significant risks

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

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular: journals, management estimates, and transactions outside the course of business, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none">• evaluated the design and implementation of management controls over journals• analysed the journals listing and determined the criteria for selecting high risk unusual journals• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness• reviewed and tested transfers between the General Fund and HRA and inter group journals• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our work in this area is complete and no issues have been identified.</p>	<p>Group and Council</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Income from Fees, Charges and Other Service Income</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Swindon Borough Council, we have concluded that the greatest risk of material misstatement relates to 'Fees, Charges, and Other Service Income'. We have therefore identified the occurrence and accuracy of 'Fees, Charges, and Other Service Income' as a significant risk, which is one of the most significant assessed risks of material misstatement, and a key audit matter.</p> <p>We have rebutted this presumed risk for the other revenue streams of the Group and Authority because:</p> <ul style="list-style-type: none">• other income streams are primarily derived from grants or formula based income from Central Government and tax payers; and/or• opportunities to manipulate revenue recognition are very limited.	<p>For 'Fees, Charges and Other Service Income' we have:</p> <ul style="list-style-type: none">• evaluated the group's accounting policy for recognition of income from fees, charges, and other service income for appropriateness• gained an understanding of the authority's system for accounting for income from fees, charges, and other service income and evaluate the design of the associated controls• agreed, on a sample basis, amounts recognised as income from fees, charges and other service income in the financial statements to supporting documents. <p>For all other revenue streams, having considered the risk factors set out in ISA240, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Swindon Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Our work in this area is complete and no issues have been identified.</p>	<p>Group and Council</p>

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 (£26m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the authority'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 (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the authority 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
- undertaken 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
- sought assurances from the auditor of the pension fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

On receipt of the draft accounts the Pension Liability and associated figures within the note had not been included due to late receipt of information from the Council's actuary. This was subsequently updated and has been reflected as an adjustment within Appendix D.

We have now received confirmation from the auditor of Wiltshire Pension Fund that we will not receive the IAS 19 letter for the year ending 31 March 2023. Therefore, we have no assurance as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Therefore, we have modified our audit opinion, which has been discussed with management previously (see detail on page 19).

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Valuation of Land and Buildings and Council Dwellings (Rolling Revaluation)</p> <p>The group revalue its land and buildings and Council Dwellings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>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, and a key audit matter.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work updated our understanding of the processes and controls put in place by management to ensure that the authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding engaged our own valuer to assess the instruction to the authority's valuer, the authority's valuer's report and the assumptions that underpin the valuation tested revaluations made during the year to see if they had been input correctly into the group's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>Our work in this area is complete. We have raised a number of recommendation in regard to the valuations process and evidencing of assumptions. These are outlined in the Action Plan at Appendix A and Follow up of Prior Year Recommendations in Appendix B. A number of adjustments have also been made to the Land and Building figure in the Statement of Accounts, these are outlined in Appendix C.</p>	<p>Group and Council</p>

2. Financial Statements – Other Risks

Risks identified in our Audit Plan	Commentary
<p>Migration of Data - Civica Bureau to Civica in-house</p> <p>In August 2022 the Council brought the management of the payroll system, Civica, back into the Council.</p> <p>When migrating the data to the in-house system, there is a risk that the standing data has not been transferred completely and accurately.</p> <p>Our IT auditors undertook a review of the controls supporting the migration of the data between systems and did not identify any significant deficiencies.</p>	<p>We have:</p> <ul style="list-style-type: none">• obtained and documented an understanding of the process undertaken to ensure the completeness and accuracy of the migration of data• substantively tested the data migrated between the Civica Bureau and the Civica in-house system. <p>Our work in this area is complete and no issues have been identified.</p>

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>Completeness and Accuracy of Payroll data</p> <p>We held timely discussions with Internal Audit throughout the audit to ensure that we captured any findings, or recommendations from their work to be considered as appropriate within our own work and audit approach. Whilst we do not place reliance on the work that they complete we can use this work to inform us of any risks that they have identified.</p> <p>On discussion with Internal Audit the following issues were identified:</p> <ul style="list-style-type: none">significant number of staff changes within the payroll function (including senior team members such as the interim payroll manager). This impacted both the number of staff who were able to complete the daily / weekly / monthly tasks within payroll and the underlying knowledge of the system.data integrity – we had reported concerns, and raised recommendations, as part of our 2021/22 audit work around the integrity of the data relating to duplicate records and payments and where pay was not matching to the individual’s contract. Whilst this did not have a material impact in 2021/22, we were aware from work completed by Internal Audit that these issues were still present in the current year data and therefore there was a risk that these issues could result in a material finding.manual processes and reconciliations – monthly reconciliations were being completed manually by the finance team with data provided by Payroll. The payroll system had been in place since 1 January 2022 but there was little reliance placed by management on the reports from the system; therefore this heightens the risk of error. At that stage of the process it was within our expectation that these would already be used as part of the monthly tasks and reconciliations. <p>These findings are consistent with those which we identified as part of our 2021/22 audit and therefore we determined it to be appropriate to reflect the impact that these issues have on our audit approach for 2022/23.</p>	<p>We have</p> <ul style="list-style-type: none">completed a Walkthrough of the key payroll processes, covering starters, leavers, change of circumstances, processing a pay run, integration with Oracle (General Ledger), the compilation of the Financial Statements, and the monthly/yearly payroll reconciliation processcompleted a reconciliation between the payroll system and the BACs payments– to gain assurance over the amount within Civica and the amount which has been paid outtested amounts paid to employees to confirm that payments made to individuals are in line with their contracts and are accurate. Where there were payments which have been overpaid, we have considered the arrangements in place regarding the process to recover this debt or whether there has been any consideration of write offs.	<p>From ongoing discussions with Internal Audit we confirmed that the completeness and accuracy of payroll transactions would be elevated to a significant risk.</p> <p>No issues were identified as a result of our testing.</p> <p>One recommendation in relation to document retention has been reported within Appendix B.</p>

2. Financial Statements: Key findings arising from the group audit

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Commentary
Swindon Borough Council	Yes		See significant risks identified on Page 7 to 11.	Full scope audit performed by Grant Thornton UK LLP
Swindon Housing Development Company Ltd	No		No significant risks identified.	Analytical review performed by Grant Thornton UK LLP. No issues arising from work performed.
Common Farm Community Interest Company	No		No significant risks identified.	Analytical review performed by Grant Thornton UK LLP. No issues arising from work performed.
Swindon Chapel Farm Solar	No		No significant risks identified.	Analytical review performed by Grant Thornton UK LLP. No issues arising from work performed.
Public Power Solutions Ltd	No		No significant risks identified.	Analytical review performed by Grant Thornton UK LLP. No issues arising from work performed.
Wichelstowe LLP	No		No significant risks identified.	Analytical review performed by Grant Thornton UK LLP. No issues arising from work performed.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Council Dwellings - £549.615m	The Council owns 10,319 dwellings and is required to revalue these properties in accordance with DCLG’s Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged an internal valuer to complete the valuation of these properties. The year end valuation of Council Housing was £549.6m, a net increase of £21.4m (2021/22: £528.2m).	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none">assessed management’s expert to ensure suitably qualified and independentassessed the completeness and accuracy of the underlying information used to determine the estimateconfirmed there were no changes to valuation methodengaged our own valuer’s expert to review the Council’s instructions, the valuers’ terms of reference and the valuers’ reportassessed the consistency of estimate using the Gerald Eve reportassessed the adequacy of the disclosure of estimate in the financial statements. <p>Our work in this area is complete. We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>	Light Purple

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £487.8m	<p>Other land and buildings is comprised of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The Council has engaged their internal valuer to complete the valuation of properties as at 31 December 2022 on a five yearly cyclical basis.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022 applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the property value.</p> <p>The total year end valuation of land and buildings was £487.8m, a net decrease of £19.1m from 2021/22 (£468.7m).</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> • reviewed the revised ISA540 requirements in guidance note • assessed of management's expert to ensure suitably qualified and independent • assessed the completeness and accuracy of the underlying information used to determine the estimate • assessed the appropriateness of any alternative site assumptions • engaged our own valuer's expert to review the Council's instructions, the valuers' terms of reference and the valuers' report • confirmed there were no changes to valuation method • assessed the consistency of the estimate using the Gerald Eve report. <p>Our work in this area is complete. We have raised a number of recommendation in regard to the valuations process and evidencing of assumptions. These are outlined in the Action Plan at Appendix A and Follow up of Prior Year Recommendations in Appendix B. A number of adjustments have also been made to the Land and Building figure in the Statement of Accounts, these are outline in Appendix C.</p>	Light Purple

2. Financial Statements: key judgements and estimates

















Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																							
Valuation of defined benefit Net Pension Fund liabilities – £25.917m	<p>The Council's total net pension liability at 31 March 2023 is £25.9m (PY £270.2m) comprising the Wiltshire Pension Fund Local Government and unfunded defined pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations to the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022/23 for March 31, 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurance over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place. We have used PwC as auditor expert to assess actuary and assumptions made by actuary. The table below summarises where Swindon Borough Council fall in the acceptable ranges set by PwC: <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.75%</td><td>4.75%</td><td>✓</td></tr> <tr> <td>Pension increase rate</td><td>2.95%</td><td>2.95 – 3.0%</td><td>✓</td></tr> <tr> <td>Salary growth</td><td>3.45%</td><td>3.45 - 5.45%</td><td>✓</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>21.2 / 22.1</td><td rowspan="2">PwC have not provided a range for the mortality assumptions for Hymans Robertson (the Council's Actuary). We have undertaken alternative procedures and are satisfied that the assumptions used are reasonable.</td><td>✓</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>24.2 / 25.7</td><td>✓</td></tr> </table> <ul style="list-style-type: none"> We also evaluated the competence, expertise and objectivity of the actuary who carried out pension fund valuations and gained an understanding of the basis on which the valuations were carried out. We checked the consistency of the pension fund asset and liability disclosures in notes to the financial statements with the actuarial reports. Gained assurance over the reasonableness of the Council's share of the LGPS pension assets; and Reviewed the adequacy of the disclosure of estimate in the financial statements. <p>Please see detail on page 9 pertaining to limitation of scope proposed and significant matter on page 19 which links to the valuation of the LGPS net liability.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	✓	Pension increase rate	2.95%	2.95 – 3.0%	✓	Salary growth	3.45%	3.45 - 5.45%	✓	Life expectancy – Males currently aged 45/65	21.2 / 22.1	PwC have not provided a range for the mortality assumptions for Hymans Robertson (the Council's Actuary). We have undertaken alternative procedures and are satisfied that the assumptions used are reasonable.	✓	Life expectancy – Females currently aged 45/65	24.2 / 25.7	✓	Light Purple
Assumption	Actuary Value	PwC range	Assessment																							
Discount rate	4.75%	4.75%	✓																							
Pension increase rate	2.95%	2.95 – 3.0%	✓																							
Salary growth	3.45%	3.45 - 5.45%	✓																							
Life expectancy – Males currently aged 45/65	21.2 / 22.1	PwC have not provided a range for the mortality assumptions for Hymans Robertson (the Council's Actuary). We have undertaken alternative procedures and are satisfied that the assumptions used are reasonable.	✓																							
Life expectancy – Females currently aged 45/65	24.2 / 25.7		✓																							

2. Financial Statements: key judgements and estimates





Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Recognition and Presentation of Grant Income</p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p>	<p>As part of our work, we have considered:</p> <ul style="list-style-type: none"> • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • the impact of grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the Comprehensive Income and Expenditure Statement (CIES) • the adequacy of disclosure of judgements in the financial statements. 	<p>We reviewed the Council's assessment of whether it was acting as a principal or agent and concluded that their assessment and judgements were reasonable.</p>	<p>Light Purple</p>

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report which was presented to the June 2023 Audit Committee.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
Northgate	Detailed Roll forward ITGC assessment (design effectiveness)				
Oracle EBS	Detailed Roll forward ITGC assessment (design effectiveness)				
Civica Bureau	Detailed Roll forward ITGC assessment (design effectiveness)				
Civica	Detailed ITGC assessment (design effectiveness)				

Assessment

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

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit

Significant matter	Commentary	Auditor view and management response
<p>That assurances from the Wiltshire Pension Fund auditor will not be available before the backstop date for 2022/23 audits.</p> <p>The external audit of Wiltshire Pension Fund has not yet concluded for 2022/23 and Pension Fund assurances under AGN 07 are not available. There is uncertainty over the timing of when the Pension Fund audit will be concluded, and the auditors have confirmed we will not receive an IAS 19 assurance letter. In the current circumstance, the only means for us to get assurance over the Pension Fund assets and liabilities disclosed in the accounts would be to audit the Pension Fund directly and undertake alternative procedures. This would not be in the interests of the public purse. Management have stated that in the interests of openness and transparency they wish to publish signed accounts for stakeholders. To limit further delays, management have determined it appropriate to limit the scope of our work in respect of the net defined benefit pension plan liability as disclosed in the balance sheet and associated Pension Fund asset and liability disclosures in the financial statements. Consequently, we have been unable to determine whether any adjustment to the group's share of Wiltshire Pension Fund's assets and liabilities, or other amounts disclosed in the financial statements in respect of the share of assets and liabilities, are necessary. In addition, were any adjustment to the defined benefit pension plan net liability to be required, the narrative report would also need to be amended.</p>	<p>We held a meeting with the Section 151 Officer to discuss and evaluate the options available to complete the audit with a modified opinion.</p>	<p>We have now received confirmation from the auditor of Wiltshire Pension Fund that we will not receive the IAS 19 letter for the year ending 31 March 2023. Therefore, we have no assurance as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</p> <p>Therefore, we will be issuing a modified limitation of scope opinion. This is specifically on the pension liability balance and associated disclosure notes.</p> <p>Management response</p> <p>We have now received confirmation from the auditor of the Wiltshire Pension fund that, due to capacity issues, they will be unable to complete the work required to issue the IAS 19 assurance letter for the year ending 31st March 2023 to meet the backstop date of 13th December 2024. The IAS 19 letter would have provided membership, contributions and benefits data, and without this we are unable to provide assurance as to the controls surrounding the information sent to the actuary by the pension fund and therefore the fund assets valuation in the pension fund financial statements. As a consequence, there is no alternative but to proceed with the limitation of scope opinion.</p>

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 Committee. We have not been made aware of any instances 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. We have raised a recommendation in Appendix C in relation to the timely submission of declarations of interest.
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 has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit Committee papers.</p> <p>Specific representations have been requested from management in respect of Equal Pay claims and RAAC in Council buildings. Narrative has also been added to reflect the limitation of scope opinion.</p>
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All confirmations were received with no issues noted.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review identified a number of minor disclosure amendments that have been adjusted in the financial statements.
Audit evidence and explanations	All information and explanations requested from management has been provided.

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 Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We have not identified any material inconsistencies between other information disclosed in the Annual Governance Statement and Narrative Report and the financial statements or the knowledge obtained in the audit. However, a number of small disclosure changes were actioned.</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>As identified on page 23, we have identified and reported a significant weakness following the outcome of the OfSted inspection.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022/23 audit of Swindon Borough Council in the audit report.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which was presented to the January 2024 Audit Committee.

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. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor’s report will make reference to this significant weakness in arrangements, as required by the Code.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Our work in the prior year highlighted a significant weakness due to the in-year change of payroll provider. The Council commenced transition to the new system in January 2022. The transition period to the new system was beset with a number of issues including significant and numerous errors occurring on the payroll runs between January and July 2022.	We have: <ul style="list-style-type: none">Engaged with our IT Audit Team to undertake a review of the migration from Civica Bureau to Civica in August 2022.Reviewed the migration of data from Civica Bureau to Civica and controls in place to ensure completeness of data.Tested payroll transactions as part of our Financial Statements audit to gain assurance over the completeness and accuracy of payroll transactions.Followed up on recommendations raised in 2021-22 in regard to lessons learned from the system implementation and ongoing procedures to ensure the accuracy of pay information.Reviewed any work undertaken by Internal Audit relevant to this area.	Key Recommendation Addressed and superseded by Improvement recommendation.	Improvement recommendation raised to ensure the delivery of agreed action plan in relation to salary overpayments.
Our work identified evidence of significant risk within the arrangements the Council has in relation to delivery of actions required following a recent Office for Standards in Education (Ofsted) inspection of the Council’s Childrens Services.	We have: <ul style="list-style-type: none">Reviewed the July 2023 Ofsted Report on Children’s Services.Met with key officers to discuss findings.Reviewed the Council action plan that is already being progressed to improve services, which was discussed and agreed at the Council’s Cabinet Sept 2023 meeting.	Due to the significance of this matter, we have raised a key recommendation.	Key recommendation raised that the Council should ensure sufficient resource is in place to resolve the requirements of the action plan (resulting from the recent (July 2023) Ofsted inspection) recommendations, specifically to ensure that timely and complete information is able to be produced. The Council should also ensure that they undertake a review to learn lessons from the recent Ofsted inspection to ensure that changes and improvements are managed effectively. The action plan should have implementation timescales, and appropriate resources in place to manage these processes.

5. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). Relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

In this context, we disclose the following to you:

Barrie Morris, the Key Audit Partner (KAP), is currently serving their 6th year on the engagement. It is PSAA's policy that KAPs at an audited body at which a full Code audit is required should act for an initial period of five years.

Under FRC Ethical Standard 3.15, for a public interest or listed entity, in circumstances where a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the engagement and the firm agrees, the engagement partner may continue in this position for an additional period of up to two years, so that no longer than seven years in total is spent in the position of engagement partner. Swindon Borough Council is not a public interest entity, however in accordance with PSAA's terms of appointment, we have sought and obtained approval from PSAA for this extension.

We have mitigated the familiarity threat by appointing a safeguarding partner, who will be responsible reviewing the key judgements of the KAP, to ensure that these are not influenced by the familiarity.

In addition, Peter Barber is being introduced for the 2023-24 audit year, which seems an appropriate time to introduce a new KAP as this represents the starting period for the PSAA contract. Both Barrie and Peter will seek to ensure that there is a smooth handover of the audit in the coming months.

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 F.

Transparency

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

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	7,500	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management (as GT report to the grant paying body)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £177,288 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The factual accuracy of our report, including representations from management, will be agreed with informed management.
Certification of Teachers Pension Return	10,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management (as GT report to the grant paying body)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £177,288 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The factual accuracy of our report, including representations from management, will be agreed with informed management.
Certification of Housing Benefit Claim	31,270	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management (as GT report to the grant paying body)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £31,270 in comparison to the total fee for the audit of £177,288 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The factual accuracy of our report, including representations from management, will be agreed with informed management.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

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

Assessment	Issue and risk	Recommendations
Medium	<p><u>PPE Valuations</u></p> <ol style="list-style-type: none"> From the testing of the assets not revalued we identified that the listing was updated after the amount was used in their material correctness calculation. Causing the incorrect amount to be applied to this calculation. We identified that two of the public convenience assets did not have the age documented in the valuation sheet. Therefore, it was not possible to determine how the valuer has determined the age and the obsolescence factor used. For a number of assets (seven in total), the valuers were not able to provide documented evidence and have informed us that these assumptions are based on judgement or roll forward from the prior year valuation. We recommend the management to maintain documentation for all assumptions used as far as possible. For one sample we noted that the valuer was using data from an external valuation conducted over 15 years ago for assumptions such as the measurements of the building. We deemed the valuation appropriate as the measurements are not likely to change. 	<ol style="list-style-type: none"> While the impact is not material, we would recommend that the Council accurately record what has and has not been revalued before conducting the material correctness calculation to ensure the accuracy and completeness of the value of assets which are not revalued in the year. We recommend for the internal property function to ensure that all assumptions are properly documented in their valuation sheet going forward. We recommend that management aim to obtain the most up-to-date and relevant information to support their assumptions. We recommend that management ensure that it has appropriate arrangements in place for valuations to be undertaken every 5 years, in line with the CIPFA Code with updated evidence provided to support the valuation each time.
Medium	<p><u>Investment Property Valuation</u></p> <p>During our testing we noted that the valuations date is 31 December 2022. This is contrary to guidance which states it should be at the period end (31 March 2023).</p>	We recommend that the Council bring the valuation date in line with the financial year end for Investment Properties to comply with the CIPFA Code.
Medium	<p><u>Payroll Document Retention</u></p> <p>From our testing of payroll documents, we identified that the Council were unable to provide relevant signed contracts for starters and forms for changes in circumstances. There is no material impact on the Financial Statements. However, a recommendation has been raised.</p>	We recommend that the Council ensures it has appropriate documentation (contracts, etc.) to evidence any payroll changes.
Low	<p><u>Depreciation</u></p> <p>We have completed a high-level review comparing the Useful Economic Life (UEL) extracted from the Fixed Asset Register (FAR) to the accounting policy within the Financial Statements. We identified one issue relating to an asset transferred to Assets Held for Sale (AHFS) in the year which still has a UEL detailed within the FAR (however no depreciation has been charged).</p>	We recommend that the Council ensures that asset UEL's are appropriate based on their updated asset category on transfer (in/out).

Key: ● High – Significant effect on financial statements ● Medium – Limited Effect on financial statements ● Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Swindon Borough Council’s various financial year financial statements, which resulted in 16 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 6 are still to be completed.

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2020/21	<p>Our IT auditors undertook a review of the key financial system relevant to the financial statements (Oracle EBS, iTrent and Northgate) and identified two significant deficiencies in relation to:</p> <ul style="list-style-type: none">• Inappropriate assignment of administrator access (all systems).• Oracle EBS users and generic accounts with access to perform high-risk activity through SQL code injection and ‘process tab’ functionality. <p>The deficiencies above create a risk that system-enforced internal controls could be bypassed. This could lead to:</p> <ul style="list-style-type: none">• Unauthorised changes being made to system parameters• Creation of unauthorised accounts• Unauthorised updates to their own account privileges• Deletion of audit logs or disabling logging mechanisms. <p>It is recommended that management work to remediate the findings raised.</p> <p>The significant deficiencies identified have a direct impact on the extent of testing performed, particularly around journal entries.</p>	<p>2022/23 findings remains to be the following:</p> <p>As identified from the work completed by IT Audit. One deficiency was identified in relation to Northgate and Civica Bureau and Civica whereby users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data. The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p> <p>The excessive use of accounts with privileged access increases the risk of end-users being able to</p> <ul style="list-style-type: none">• change system configuration settings without authorisation and approval• read and modify sensitive data• create, modify or delete user accounts without authorisation• delete or disable system audit logs.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2021/22	<p>Heritage Assets</p> <p>The Code has relaxed its valuation approach for heritage assets. Paragraph 4.10.2.9 of the Code specifies that:</p> <ul style="list-style-type: none"> • valuation may be made by any method that is appropriate and relevant; this may include, for example, insurance valuations of museum collections. • valuations need not be carried out by external valuers and neither is there a requirement for valuations to be verified by external valuers. • a full valuation every five years is not required; there is no prescribed minimum period between valuations. <p>However, the Code includes a requirement that authorities review the carrying amount of heritage assets carried at valuation with sufficient regularity to ensure they remain current.</p> <p>The last review of Heritage Assets was 2016.</p> <p>It is recommended that in line with the Code, the portfolio of Heritage Assets is reviewed with sufficient regularity to understand any significant changes to the valuation.</p>	<p>Management response</p> <p>(2021-22) The valuation is based upon insured values which is acceptable under the Code. Whilst an item-by-item valuation has never been undertaken annual advice from the Museums service is requested to provide feedback of any changes in disposal/purchase/loans over £10k that may impact the insured values.</p> <p>(2022-23) The Museums service continues to provide annual update on any significant changes to the artifacts held in line with Code requirements.</p>
✓	2021/22	<p>Valuer Reporting</p> <p>The Financial currency should be included with the Valuer's Report in line with Royal Institution of Chartered Surveyors (RICS) mandatory guidance.</p> <p>It is recommended that the disclosure is included within the 2022-23 Valuer's Report.</p>	Updated in 2022-23.
X	2021/22	<p>As part of the reconciliation from the Fixed Asset Register to the Valuer's Report Note 15 of the Statement of Accounts (Revaluation Table), the audit team identified that a number of formulas used to identify the figures for inclusion in the note were incorrect.</p> <p>This has resulted in the following material changes to the Council Dwellings column within note 15.</p> <p>It is recommended that management implement a review process for all working papers and the Statement of Accounts to ensure accuracy.</p>	There has still been casting errors and reclassification errors noted in the current year. This was detailed in the Appendices C & D.

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
✓	2021/22	<p>The audit work on Council Dwellings valuation identified the following:</p> <ul style="list-style-type: none"> For 13 out of 22 samples, the audit team have not been able to obtain evidence to support the inclusion of the sample property in the respective beacon as this is based on the skills and experience of the Property Team undertaking this work. Since the beacon allocations are informed by the cumulative knowledge of a large number of beacons, it is unlikely that the lack of evidence in support of beacon classification will lead to a material misstatement. However, we have raised a recommendation in relation to documentary evidence of decisions and allocations. EUV-SH reflects a valuation for a property if it were sold; with sitting tenants enjoying occupation at less than open market rentals and Retail Price Index linked increases; where the landlord has additional rights including the Right to Buy, and where the landlord has additional liabilities including insurance, repair, maintenance and statutory obligations. Therefore, it is necessary to adjust the Beacon Value to reach EUV-SH. The Adjustment Factor (a percentage) is applied to the Beacon Value to calculate the EUV-SH. The adjustment factor measures the difference between private open market rented and socially rented property at a regional level. It is the discount which, when applied to the cumulative total of all beacon values, gives rise to the EUV-SH. The adjustment factor applied at Swindon Borough Council is 35%. This was not disclosed in the valuation report. <p>It is recommended that the valuers maintain documentary evidence data to support that each beacon is representative of the respective category of dwellings (i.e. evidence for characteristics of each beacon type (flat, house, bungalow, maisonette, etc.); the number of bedrooms; geographic location; other distinguishing features).</p> <p>It is further recommended that the valuer's report state the EUV-SH factor which has been used to value the Council Dwellings during the year.</p>	Recommendation implemented in 2022/23.
✓	2021/22	<p>It has been noted from the testing that there has been no formal consideration of expected credit loss disclosed within the financial statements.</p> <p>There is a risk that the group is not considering the potential loss or write off against assets included in the Balance Sheet.</p> <p>It is recommended that management review all balance sheet items subject to expected credit loss to ensure any potential loss against these items is correctly reflected in the financial statements.</p>	Recommendation implemented in 2022/23.

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
✓	2021-22	<p>Lack of logging and monitoring of security events in Civica Payroll Bureau</p> <p>Information security event logs, which record the activities performed by privileged user accounts within Civica Bureau Portal are not captured and monitored for any suspicious events.</p> <p>Without enabling security events logging and then proactively monitoring them increases the risk that anomalous security activity such as failed login attempts, may not be identified and /or addressed in a timely manner.</p> <p>It is recommended that management:</p> <ul style="list-style-type: none"> Consider enabling security logging for the new Civica HR and Payroll solutions to be implemented in June 2022. Consider retaining security event logs for Civica users for at least the duration of the financial year, subject to adequate storage being available; and Proactively review the security event logs for Civica users to detect any suspicious activities such as multiple failed login attempts. These reviews should be performed by one or more knowledgeable individuals, who are independent of the day-to-day use or administration of these systems and formally evidenced. 	<p>Partially remediated. Improvement recommendation raised in 2022/23:</p> <p>It is recommended that the Council:</p> <ul style="list-style-type: none"> Proactively review the security event logs for users to detect any suspicious activities such as multiple failed login attempts. These reviews should be performed by one or more knowledgeable individuals, who are independent of the day to day use or administration of these systems and formally evidenced
✓	2021/22	<p>Remuneration disclosures £50k+ banding</p> <p>The Authority have used December 2021 school's payroll data to compile the over £50,000 remuneration disclosure at note 9.</p> <p>There is a risk that the disclosure is incorrect due to out of date or missing data. We have undertaken alternative procedures to ensure that the disclosure correctly reflects the position at 31 March 2022.</p> <p>It is recommended that the Authority use up to date data to ensure completeness and accuracy of the disclosure.</p>	<p>Recommendation has been implemented in 2022-23. An adjustment has been made to the final statement of accounts to reflect the final position of all Authority controlled schools.</p>
X	2021/22	<p>When reconciling the population, the audit team noted that it was not clear how the figures disclosed with the Statement of Accounts Notes 2, 7 and the Collection Fund could be reconciled.</p> <p>It is recommended that management should consider including a reconciliation table of all grant figures with the Statement of Accounts to ensure that the reader can accurately trace through the amounts from CIES to supporting notes.</p>	<p>No change from 2021/22.</p>

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
✓	2021/22	<p>Insufficient documentation to support the migration of Payroll balances from iTrent to Civica Bureau Portal</p> <p>During the January 2022, the Council implemented Civica Bureau Portal, a new interim payroll system in replacement of iTrent, which was cutover during December 2021.</p> <p>The audit team noted the following issues with respect to the system migration controls:</p> <ul style="list-style-type: none"> • Initial project board meeting minutes for the decision to implement Civica Payroll Bureau as an interim solution were not available. • There was no formal documentation retained to support the testing performed prior to implementing Civica Bureau, e.g. test cases and results. • There were insufficient data validation checks performed to ensure the integrity of payroll data migrated from iTrent to Civica Payroll Bureau. • There was no formal documentation of approvals and sign offs from key stakeholders prior to go-live, e.g. Swindon HR and payroll, • There were no roll-back procedures defined in the implementation plan. <p>Bugs and errors within the application functionality may not be identified, assessed and resolved during the system migration process. This may lead to errors within the financial reporting process.</p> <p>In the absence of data validation checks between iTrent to Civica Payroll Bureau, there is a risk that payroll data is not complete and accurate. It is recommended that management should review and update the approach for large scale IT projects so that key documents and conclusions supporting the functional testing of the system are retained for the new system migration in June 2022.</p> <p>In particular the following documents should be part of a successful project:</p> <ul style="list-style-type: none"> • Data migration strategy • Data cutover approach • Data cleansing approach • Test strategy • Test plans and scripts with detailed use cases / scenarios • Central issues log to record the defects from testing procedures • Data reconciliation per entity / financial period / data type • Formal evidence of sign off for validation checks 	Recommendation implemented in 2022/23.

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2021/22	<p>Lack of Service Auditor Report</p> <p>The audit team are aware that a service auditor's report for iTrent Payroll system (utilised by the Authority for period 1-9) is not readily available and has not been obtained by the Authority. The lack of service auditor's report is a control deficiency regarding whether management have appropriate assurance that the systems and controls that the service organisation have put in place are effective.</p> <p>It is recommended that the Authority obtain sufficient assurance over their financial systems.</p>	<p>In the current year, the Council migrated from Civica Bureau to Civica Internal systems. This was not a system change just a service provider change.</p> <p>Service Auditor's report is still not readily available for Capita and Civica Payroll Bureau, thus, this issue is still not addressed in the current year.</p>
✓	2021/22	<p>Cash and Cash Equivalents – School's Bank Balance</p> <p>Audit team have completed a review of the School's Bank process and controls. From this review, audit team have identified issues relating to appropriateness of the data which is being sent across to the Authority from the Schools. Ultimately, it is the Authority's responsibility to ensure that this is included within the Statement of Accounts and is complete and accurate. The data provided to the Authority should be provided as at 31st March and should be able to reconciled to the Bank Statement (in line with their bank reconciliation). This will then allow the Authority to gain assurance over the total balance for inclusion with the Cash and Cash Equivalents balance.</p> <p>It is recommended that a review of the school's bank process is completed to ensure that complete and accurate bank reconciliation are completed and reviewed at the year-end 31 March each year.</p>	<p>Recommendation implemented in 2022/23.</p>
✓	2021/22	<p>Supporting working papers and evidence</p> <p>The audit team have encountered a number of difficulties in obtaining sufficient and appropriate audit evidence in a timely manner to support the detailed testing, due to a range of factors. The audit team have identified a number of significant matters that have been highlighted within the reports. There have been several occasions where the Council were unable to provide reports required in a timely manner to aid us in the completion of the audit work (e.g. Payroll FTE data, HRA rental income and property type). These are information that we would expect to be easily reported and monitored regularly throughout the year.</p> <p>It is recommended that the management implement a review of inputs to the Statement of Accounts and ensure that robust source data can be provided to support the working papers and Statement of Accounts disclosures.</p>	<p>Recommendation implemented in 2022/23.</p>

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2021/22	<p>Related Party Declaration of interest</p> <p>The audit team's review of related parties identified that five elected members and two officers had not provided declarations in line with the Council's requirements set out in the Council's Constitution section 25. The audit team have been unable to identify any mitigating circumstances as to why these individuals have not been complied with these requirements to make the necessary declarations.</p> <p>Elected members and senior officers are required to make appropriate and accurate declarations on an annual basis to ensure proper transparency in the governance arrangements of the Council. All members and senior officers should ensure that they comply with these requirements.</p> <p>It is recommended that management consider the timeliness of obtaining declarations throughout the year to ensure their assessment and disclosure at year-end is complete and accurate.</p>	<p>In the current year review of Declarations of Interest for Members, we identified 3 members for whom declarations had not been obtained by management as follows:</p> <ol style="list-style-type: none"> 1. Dan Smith 2. John Jackson 3. Matthew Courtliff <p>As this recommendation has not been appropriately closed down in the year, this will remain in 2022/23.</p>
X	2021/22	<p>Sampling populations</p> <p>From the various pieces of sampling work completed, the audit team have identified populations with significant debit and credit balances. This is due to insufficient cleansing of data or inefficient accounting entries that do not correctly match of reversing transactions. This results in the absolute value of the populations being significantly larger for sampling, which has increased the number of samples needing to be tested significantly.</p> <p>It is recommended that the Authority review their processes to ensure that listing provided on a transactional level are appropriate for review and testing.</p>	<p>Management has agreed for this recommendation but there has been a limited impact on 2022/23 audit due to proximity to end of the financial year when this recommendation was presented.</p>
X	2020/21	<p>Testing of property, plant and equipment identified 41 assets that are held at zero in the balance sheet.</p> <p>There is a risk that assets are being depreciated too quickly, which could result in an overstatement of the depreciation charge in the comprehensive income and expenditure statement, and a corresponding understatement of property, plant and equipment, in the balance sheet.</p> <p>It is recommended that management undertake an annual exercise to identify the actual average useful life for vehicle and equipment assets in order to inform the accounting policies for the depreciation of assets.</p>	<p>The 2022-23 audit identified 30 assets were held zero in the balance sheet.</p>

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2021/22	<p>PPE Formula</p> <p>As part of the reconciliation from the Fixed Asset Register to the Valuer's Report to Note 15 of the Statement of Accounts (Revaluation Table) the audit team identified that a number of formulas used to identify the figures for inclusion in the note were incorrect.</p> <p>This has resulted in the following material changes to the Council Dwelling column within Note 15:</p> <ul style="list-style-type: none"> • Cost as at 31 March 2022 £529,025k changed to £530,713k. • Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision Services (£10,342k) changed to (£8,654k). • Depreciation written back on Revaluation £4,677k changed to £12m149k. • Accumulated Depreciation and Impairment as at 31 March 2022 (£9,964k) changed to (£2,492k). • Net Book value 31 March 2022 £519,061k changed to £528,221k. <p>It has been recommended that management implement a review process for all working papers and the Statement of Accounts to ensure they are accurate.</p>	<p>There has still been casting errors and reclassification errors noted in the current year. This was detailed in the Appendices C & D.</p>

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2021/22	<p>Employee Benefits (new payroll system implementation)</p> <p>As outlined on the report, the team encountered issues in obtaining robust data and supporting evidence, this resulted in additional testing on the migration of payroll data and individual payroll transactions.</p> <p>During the audit team's substantive testing of payroll transactions the following issues have been identified:</p> <ul style="list-style-type: none"> • Payslips did not display the correct due to issue with the set up within the payroll bureau where figures were not displaying on the payslip. • Duplicate payments to employees due to multiple job roles within the system. <p>Out testing of Starters and Leavers identified the following issues:</p> <ul style="list-style-type: none"> • Duplicate records for starters – an individual was set up by the payroll bureau with 2 records in error. As a result, they were paid twice in February • Pay not matching with contract – an individual was subject to a pay scale change after the signing of their contract which was not evidenced by the documentation initially provided. • A signed acceptance letter not available for a starter. • An employee selected from the leaver population had turned down the position before joining but was paid accidentally. However, the system had the individual as a new starter, and therefore had to be processed as a leaver in the system. • Duplicate salary - an individual was set up with two positions in error. This resulted in an overpayment in January 2022 where a duplicate salary was subsequently removed by processing a leaver in the system. <p>The team were satisfied that these errors do not have a material impact on the statement of accounts and no adjustments are required. However, the team have raised a recommendation that the Council ensure sufficient resource is in place to resolve any ongoing payroll issues and review the controls in place to identify and rectify the errors and exceptions. The Council should also share the lessons learned from the procurement and implementation of the new payroll system to ensure that other similar system changes are managed more effectively.</p>	<p>This is partially remediated as follows:</p> <ul style="list-style-type: none"> • During the current year a data migration review was completed. Our review did not note any issues. • From our testing it was identified that the Council are unable to provide relevant contracts for starters and forms for changes in circumstances. Although there is no material impact a has been raised within Appendix B.

C. Follow up of prior year recommendations

Assessment	Year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
x	2021/22	<p>Our audit work on Property, Plant and Equipment valuations (including land and buildings) identified a number of issues. These are outlined below:</p> <ul style="list-style-type: none"> Build costs for assets valued using Depreciation Replacement Cost Method – SBC have used EP Stevens Associates as experts to provide Build costs for assets valued using Depreciated Replacement Cost Method. However, there is no documented letter of engagement detailing the scope of work and methodology to be used. Also, there is no final reports from the experts. These have been discussed only on email communications and there have been multiple changes in the workpapers subsequently. We have therefore had difficulty verifying that the underlying assumptions used by EP Stevens were appropriate. This also represents a failure in the proper procurement and contract management arrangements of the Council. Site Area Variances – During the team's testing of Land & Building revaluations, we identified that the valuers have used older site areas for the valuation of four assets within our sample. The team have subsequently asked management to identify all such variances from all assets valued during the year and assess the impact on valuation. The net impact during the year £17,030 and hence not material. Use of up to date information for valuation – For four car parks the income for the most recent year has not been considered (i.e. 2021-22) to determine the valuation. Instead, the average income for 2017-18 to 2019-20 has been used. Management have asserted that this is because 2020-21 and 2021-22 were unusual years due to Covid restrictions however the team would assert that there have been significant changes to car park usage following the pandemic and therefore the lower income in these years should be taken into account within the valuation. Land values - The rates used for land value for various type of assets have been carried forward from previous year without considering the changes in indices from previous year. Support for assumptions – For a number of assumptions such as yield rates, management costs, land values, date of build, etc., the valuers were not able to provide documented evidence and have confirmed that these are based on judgement and undocumented information such as phone calls, etc. 	The has been partially remediated. A number of recommendations have been raised within Appendix B in relation to PPE Valuations.

D. Audit Adjustments

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

Impact of adjusted misstatements

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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
During the audit it was identified by management that one asset was being incorrectly held at £726k within the Fixed Asset Register and Statement of Accounts. As per the valuation report this should have been held at nil value due to the impairment of the building.		Cr PPE £726 Dr Capital Adjustment Account £726		
On receipt of the draft accounts the Pension Liability and associated figures within the note had not been included due to late receipt of information from the Council's actuary. Originally the prior year actual of £270.210m had been rolled forward. The liability for 2022/23 was confirmed to be £25.917m. Therefore, an adjustment decrease in the liability of £244.293m was action within the Financial Statements.		Dr Pension Liability £244,293 Cr Pension Reserve £244,293		
From review of Note 15 Property, Plant and Equipment, we identified that there was a misclassification between asset categories 'Other Land and Building', Surplus Assets' and 'Assets Held for Sale'. This has no impact on the bottom line and is purely a reclassification on the balance sheet.		Dr AHFS £450 Cr Surplus Assets £450 Dr Other, Land and Buildings £591 Cr Surplus Assets £591		
Overall impact	£0	£0	£0	£0

D. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Adjusted?
Note 2 (Subjective Analysis of Service Expenditure): We identified a classification error in Note 2 in relation to interest payments. An amendment has been made to Note 2 as outlined as £7,528k of Interest Payments was incorrectly included within Employee Related Expenses. This has no impact on the bottom line total of the total operating expenses.	✓
Note 24: Capital Adjustment Account - During the testing completed we identified two errors relating to inaccurate figures included within the Note. Correct figures in the table should be as follows: Charges for impairment of non current assets - £37,124k Depreciation written back on general gain/loss - (£2,324k)	✓
Note 10: Exit Packages – Management updated the Note within the Draft Financial Statements prior to starting testing: 'Incurred costs disclosure' from £1.4m to £1.39m, and figures for the following bandings: - £0 to £19,999 - Other (Updated from 19 to 18) - £60,000 to £79,999 - Compulsory (Updated from 3 to 4) - £60,000 to £79,999 - Other (Updated from 2 to 1)	✓
Note 31b: Pensions - Figures for the changes in circumstances and changes in demographic assumption in the 2021/22 comparator were interchanged. This has been corrected.	✓
Note 9 (Employees > £50k Banding): Management updated the Note within the Draft Financial Statements prior to starting testing due to receiving information relating to Eldene School which was outstanding on the date of publishing of accounts (31/05/2023). The updates are as follows: £55,000 - £59,999; Updated to 55 from 54. £75,000 - £79,999; Updated to 13 from 12.	✓
We challenged the inclusion of the Investment Property asset as a Level 3 on the Fair Value Hierarchy. This resulted in the following updates being required to the Investments Property Note: - Valuation Hierarchy to 'Level 2'. - Basis of Valuation to 'Valued at Fair Value as at 31 December 2022 using market and income approaches'. - Observable and non-observable outputs to also include 'Local Market Rates'.	✓

D. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Adjusted?									
Note 11: Audit Fee – A number of amendments were required to the note to ensure that it accurately reflects the current fee position for 2022-23. Additional narrative has also been added to outline the proposed additional fee for 2022-23 being £63k.	✓									
Note 48. Vacant Possession Valuation. We identified an error when reconciling the valuation amount to working papers. Therefore, this note has been updated from £1,603,202k to £1,576,628k in line with expectations.	✓									
Within the Income and expenditure disclosure - Pooled Budgets, we noted a difference when we reconcile ICB summary provided by the Council compared to the CCG and ICB statements totalling £2.1m. The difference is due to different presentational decisions between the accounts.	X									
Note 28 Operating Leases: We identified an error within the working paper formula which was not correctly calculating the lease amounts in the correct years, and therefore was incorrectly calculation the lease liability for all assets. This was subsequently reviewed and updated. A Prior Period adjustment was required for the corresponding figures in 2021/22. This has been outlined in note 28 but does not have have any impact on the balance sheet due to the nature of the leases.	✓									
The DSG figure within the draft Financial Statements was updated prior to testing. We have noted the amendments made to the original note as followed: <ul style="list-style-type: none">• Agreed initial budgeted distribution total figure - Updated from £78,670k to £79,696k.• In year adjustments total figure - Updated from -£17k to -£806k.• Final budgeted distribution for year – Updated from £78,653k to £78,890k.	✓									
We identified an offsetting difference while agreeing Note 2 and Note 5. There is therefore, no bottom line impact. <table><tr><td>Note 2:</td><td>Note 5:</td><td>Difference:</td></tr><tr><td>Total Income: £575,114</td><td>Total Income: £575,230</td><td>(£116)</td></tr><tr><td>Total Expenditure: £615,515</td><td>Total Expenditure: £615,231</td><td>£116</td></tr></table>	Note 2:	Note 5:	Difference:	Total Income: £575,114	Total Income: £575,230	(£116)	Total Expenditure: £615,515	Total Expenditure: £615,231	£116	✓
Note 2:	Note 5:	Difference:								
Total Income: £575,114	Total Income: £575,230	(£116)								
Total Expenditure: £615,515	Total Expenditure: £615,231	£116								
Our testing identified disclosure errors related to the UEL of street furniture. The infrastructure components table need to be changed to 30 UEL for the Street Furniture in line with the FAR.	✓									
A number of minor disclosure updates and typographical changes were identified within the Statement of Accounts.	✓									

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

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



Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
During our testing of the Unitary Charge figures within the year we have identified a discrepancy between the figure in the Financial Statements and the General Ledger totaling £122k (Prior year unadjusted misstatement is £407k).	Dr Surplus/Deficit on provision of service £122	Cr Cash £122	(£122)		Below trivial. Included as total of prior year and current year is above trivial.
Creditors testing has been completed with below material errors identified. These have been extrapolated across the whole population with a projected understatement of £1,211k misstatement.	Dr Expense £1,211	Cr Creditors £1,211	(£1,211)		Result of extrapolation only and below materiality.
We have identified 2 errors from the work completed in Additions; this is one over accrual of £154,821.52 and an under accrual of £736.26. The extrapolated error across the population is £439,969. We are not expecting this to be adjusted within the Financial Statements. This error is below materiality and therefore we are satisfied that there is little risk that this balance is materially misstated, and therefore no additional testing necessary.	Cr Expense £440	Dr Accrued Expense £440	£440		Result of extrapolation only and below materiality.
Overall impact	(£893)	(£893)	(£893)		

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements



Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
Within asset existence testing we identified one asset (opening NBV £876K) which relates to an historic PFI. It has been confirmed that this asset no longer exists (and consequently the Council do not have the rights over the asset). We have confirmed through audit procedures that this is an isolated error.	Dr (Gains)/losses on the disposal of non-current assets £876	Cr Property, Plant and Equipment £876	(876)	Not material
Overall impact	£876	(£876)	(£876)	

E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	114,288	114,288
Reduced materiality	3,750	3,750
Use of expert	5,000	5,000
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	500	500
Additional Requirements – Collection Fund Reliefs (Information Provided by the Entity) IPE Testing	750	750
Value for Money audit – new NAO requirements	20,000	20,000
ISA 540	6,000	6,000
ISA 315	5,000	5,000
Additional journals testing	3,000	3,000
Infrastructure	2,500	2,500
Quality review – response to FRC (Quality Partner)	1,500	1,500
Additional Risk Factors – Payroll System Implementation	10,000	10,000
Additional Review and Testing following updated accounts to include Pension Information	-	5,000
Triennial Pension Valuation Review	5,000	-
Total audit fees (excluding VAT)	177,288	177,288

The fees reconcile to the financial statements note 11.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Housing Benefit Grant Claim audit	31,270	31,270
Certificate of Teacher’s Pension return	10,000	10,000
Certificate of Pooling of Housing Capital Receipts	7,500	7,500
Total non-audit fees (excluding VAT)	£48,770	£48,770

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
- ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below. These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

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

