Management Representations to Deloitte for 2018/19 – Enhanced Considerations

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(This report was drafted over the period Dec 2022 – May 2023)

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Para	Management Representation – Key Statements	Supporting process, and consideration
Financial Statements		
1	We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code") except: a. As set out in note 45, group accounts have not been prepared as required by the Code b. As set out in note 31, the disclosure of the number of employees with remuneration over £50,000 required by the Accounts and Audit Regulations 2015 does not include all relevant employees c. As set out in note 31, the disclosure of the number and value of exit packages required by the Code does not include exit packages given to all relevant employees.	*We have employed appropriately qualified and experienced individuals to lead the process of corrections and re-presentations.* *We have provided access to leading external advisers in the field when appropriate (eg Grant Thornton, Stephen Sheen, LG Futures, Arlingclose, Hymans Robertson) to ensure approaches have been robust.* *We have maintained appropriate heightened governance, and review of progress. Eg:* • *Independent Review (Peter Worth)* • *Finance Improvement Board* • *Regular reporting to Audit Cttee* • *Deloitte attendance at SOM.* • *Weekly Closing Meeting, chaired by s151 (which facilitated close monitoring of issues, and their resolution)* *Addressing the issues within the 18/19 and 19/20 accounts has been seen as a corporate priority.* *We accept that we have been unable to fulfil the requirements relating to*

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		• *Group Accounts* • *Related Parties (see further information below)* • *Officers' Remuneration (see further information below)* *Where we have accepted the need for a qualification to the accounts it has been in recognition that further remediation would not be a worthwhile exercise in a wider context after the remediation that was applied (in the light of the backlog of financial years' accounts building up again, to which we would like to turn our focus to), given that we believe our balance sheet as at 31 March 2020 to be in a reasonably clean position to open the financial year 2020/21. This position has been reviewed by the previous s151 officer and their successor, who has been in position since January 2023.* *The officers who compiled the original statement of accounts used the CIPFA checklist to ensure they addressed the requirements; although this was clearly not flawless in its implementation, it provided a control framework to ensure comprehensive fulfilment of responsibilities. The officers who have been present for the re-working of the accounts were also to large extent involved in the compilation of the 2019/20 accounts, for which the CIPFA checklist was integrated into preparatory working papers, and where this threw up deficiencies in the 2018/19 accounts they were corrected accordingly.* ***<u>Further Information</u>*** *For Related Parties we have now performed extensive re-examination of source documentation and are now satisfied that we comply with all requirements other than not having a comprehensive set of declarations of Members' interests (and so the information as presented within the note may be incomplete). For 2019/20 this problem has been remedied.* *The information that feeds into the Officers' Remuneration note is obtained from two sources: the Council's in-house Payroll ledger, and also, for 33 of our schools, from outsourced providers of payroll services. Although we appear to have partial records available for those schools using the outsourced payroll providers, they do not appear to be comprehensive, and as such we have reverted to using only the in-house data so as to at least provide a certain level of comparability. (This issue also affects 2019/20 accounts.)*

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2	Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.	*There are two key areas where significant assumptions are applied: in the valuation of Property, Plant and Equipment, and secondly in the calculation of the costs of providing employee pensions.* *A) With regard to PPE valuations, the most significant assumption relates to estimates of land values to apply when assets are subject to Depreciated Replacement Cost valuations. The derivation of these assumed land values has been tested (including identification of the market transactions that inform them) with our external valuers (Wilks Head & Eve), and considered reasonable.* • *The DRC methodology as applied to schools' valuations was also considered in detail by staff from the Asset Management team (with challenge put to WHE, and explanation received).* • *For those assets carried at fair value (ie surplus assets), each asset was specifically revalued on a market value basis (ie fair value) at the time of reclassification to surplus, taking into consideration the best potential use of the property within normal constraints.* *B) With regard to assumptions feeding into the IAS 19 Employee Benefits report provided by the actuary, these would have been informally discussed and surveyed by the Society of London Treasurers contemporaneously to ensure material consistency across London boroughs, and they have since been retrospectively checked for reasonableness (eg large movements from the previous year, internal and external consistency, and if there is anything counter-intuitive from our understanding of the macro-economic position at the time). The actuaries engaged have supported LBTH for many years, and provide services extensively to Local Government, so we consider them to have good working knowledge of the sector and the organisation in particular, and there have been no issues raised by GAD about their approach.* ***<u>Further Information</u>*** *There has been extensive engagement with Wilks Head & Eve (our external valuers), together with the internal Asset Management team (which includes members of RICS), led by the Head of Asset Management, to ensure that valuation methodology was understood, was appropriate, and appeared reasonable (and challenged where appropriate, resulting in*

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		revisions in some instances). Much of the better quality engagement with WHE and Asset Management has happened since the original 2018/19 draft accounts were completed (and has continued in order to consider matters for subsequent years) and has resulted in amendments applied back to 2018/19, and we would deem this to be a "culture shift" in the Council's approach to PPE valuations.
3	As returns were not obtained or cannot now be located for all councillors, disclosures of related party transactions may not be complete as all related party relationships may not have been identified. Except for any changes to disclosures which might have been necessary had these returns been available, related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 Related party disclosures.	*A) We endeavoured to assess Members and Senior Officers for any potential relationships between themselves (and their close family) and any other entities that LBTH might have relationships with by means of requesting information on interests at the time of closing the 2018/19 accounts (so about Spring 2019), and have since cross referenced those returns where possible to third party sources of information (such as Companies House); however, there are a number of Members for whom the requested return on interests has not been located, and the note is therefore deficient (and we expect to receive a qualification for this – please see "Further Information" given under item (1) above). This issue has been remedied for 2019/20.* *B) During the audit period we performed further review of the group boundary, triggering more detailed examination of the accounts and sometimes the memorandum and articles of association of potential entities where a related party situation was suspected.* *C) We have assessed transactions of income and expenditure by means of review of the Accounts Receivable and Accounts Payable ledgers.* *D) We have assessed outstanding amounts due to or from LBTH by means of assessing what had not been paid as at the year-end date (31/03/2019) by means of review of the Accounts Receivable and Accounts Payable ledgers.* *E) During the audit period we made extensive reference to the CIPFA Guidance Notes in order to better comply with disclosure requirements.*
4	All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.	*A) There are no material events that we are aware of that have required us to make any adjustments or disclosures (but see listing below of immaterial items).* *B) We have reviewed the possibility of such events formally with CLT, and separately with Legal colleagues.*

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		C) *The regular process of budget monitoring and subsequent year-end outturn reports also constitute a formal process which we would expect to throw up the existence of such events (and see below for some immaterial items identified).* ***Immaterial item re provisions and valuations*** *Data trends up to September 2022 relating to success rates of NNDR appeals have been assessed as leading to an estimated error of £3m under-provision as at the balance sheet date.* *In drawing up the 2020/21 accounts we have applied impairment to two housing blocks (Malting and Brewster Houses) due to structural works being required. This has had the effect of reducing the valuations on those two blocks by a combined £1.8m (being 25% discount of the building valuation). Although we have no confirmation, it is possible that these structural weaknesses had occurred before the balance sheet date for 2018/19; however, this is an immaterial amount.* ***Immaterial items identified in year-end outturn reports are:*** ***Put through in 2019/20**:* - *within the HRA a favourable outturn variance on leaseholder and tenant service charges of £1.9m was reported; further analysis of this favourable variance suggests that income within 2018/19 was under-reported by approximately £0.4m (and the balance of the £1.9m in 2019/20 was attributable to increased levels of income over and above that budgeted).* ***Put through in 2020/21:*** - *within HAC an increase in the loss allowance for historic health invoices of £1.9m was reported; further analysis has shown that debtors on the balance sheet were overstated by £0.7m as at 31 March 2019.* - *£1.5m release of "historic TMO rent rebates" which were identified within the rent control account as part of year-end reconciliation process would probably have a small element that relates to 2018/19 and older.*
5	The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate,	*We reviewed the list of unadjusted misstatements (at an early draft – September 2022), and agreed on those to amend; the final list as per Appendix A to the ISA260 report presented to*

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	to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.	*Audit Committee 30 May 2023, including the "possible misstatements", has also been reviewed. Those which remain uncorrected are deemed to be disproportionately difficult for their value at this point in time, or of a very minor nature; furthermore, none of these deficiencies, individually or collectively, in our professional opinion gives rise to material effects in the financial statements as a whole (and we have the benefit of a perspective of a further 4 years beyond the balance sheet date, which we have used in reaching this judgement; in particular, no individuals or organisations have contested or commented on any element of our Statement of Accounts through rights to public inspection).* *On the detailed level, we take further assurance from the current year misstatements totalling £5.6m credit impact on net assets, and the current year projected misstatements having a total impact of £6.2m debit on net assets, ie to large extent the errors and projected errors cancel each other out (figures quoted from the ISA260 report presented to Audit Committee May 2023).* *Furthermore, there is no combination of items within the projected errors which would, when added to the confirmed errors, lead to a material impact quantitatively.*
6	We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the council's ability to continue as a going concern, including principal conditions or events and our plans. In making our going concern assessment we have adopted the 'continuing provision of service' approach and accordingly we are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the council's ability to continue as a going concern. There are no circumstances that we are aware of that would affect the appropriateness of the 'continuing provision of service' approach. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.	*We confirm that we have conformed to 2.1.2.6 of the Code and prepared financial statements on a going concern basis.* *In addition, we have taken into consideration:* • *The Latest Budget Monitor* • *Reserves forecast (ie a strong reserves position)* • *The draft budget approved by Council in March 2023 for 2023/24* • *We are not aware of any Parliamentary action to dissolve local authorities.* • *We are not aware of any London-wide re-organisations* • *For business rates, there is a revaluation exercise planned for 2025/26 and so the presumption is that business rates will continue until that time*

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7	All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled with and deferred income to the extent that they have not.	*A) We confirm that we have notified you of all relevant grants and donations.* *B) The pre-existing process of identifying restrictions, terms or conditions was clearly flawed for the initial draft accounts issued on 31 May 2019, and much re-working has taken place since then, consisting of the following stages:* *a. review of all grants received that had been classified as "with conditions" and thus had residual balances remaining within Short Term Creditors or Capital Grants Receipts in Advance (as per the Balance Sheet), to determine whether those balances should actually be recognised as income through the CIES* *b. review of all grants for which a debtor had been set up, to determine whether these debtor balances were genuine retrospective claims for legitimate expenditure incurred, or whether they represented accounting errors because the grants had, in substance, been overspent* *c. Other grants were assessed quickly at the time (late 2019) by means of applying the accrued knowledge of two officers who had many years' experience in other councils, and at a later stage, by means of more systematic review of, and comparison to, 2019/20 and 2020/21 grants (since many/most revenue grants are awarded with the same conditions over several years running). [For 2019/20 there was widespread training provided to Finance staff on how to perform the technical evaluation of whether grants should be classified as "with conditions"; and for 2020/21 a more formal grants register was established where the evaluation was captured.]* *d. Final review of the grants note, where we now have good visibility of grants going through the CIES for 17/18, 18/19, 19/20 and 20/21, to ensure there are no obvious differences in treatment (or where there are, then to understand and validate why – eg CIL credited to services in 2019/20).* *e. We have provided full transactional data to Deloitte for examination.*
8	With respect to the revaluation of properties in accordance with the Code:	*A) The measurement bases used for each class of assets are as prescribed by the Code. The asset categories that require revaluation are Council Dwellings, Other Land and Buildings, and Surplus Assets.* • *Council Dwellings require a current valuation based on existing use value (social housing), and were valued as at 31 March 2020 by WHE using a beacon valuation*

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	a. the measurement processes used are appropriate and have been applied consistently, including related assumptions and models; b. the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the council where relevant to the accounting estimates and disclosures; c. where assets have been valued on a Modern Equivalent Asset basis, we have considered whether any changes are required to the Modern Equivalent Asset assumed in the valuation, or to the depreciated extent of the existing asset as a result of climate change, and we do not consider any changes are required to assumptions at this time; d. the information supplied for the valuation of the council's property assets includes up to date rental and other relevant data to inform the valuation, and there are no circumstances we are aware of that would impact upon the valuation of assets (such as issues with condition) that have not been shared with the valuer. e. we have considered the valuation of the council's Property, Plant and Equipment, and we are not aware of any other errors or inconsistencies, and the overall valuation movement recognised is in line with that expected from the work of the valuer. f. the disclosures are complete and appropriate; and g. there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.	*methodology as suggested by the then DCLG in their publication "Stock Valuation for Resource Accounting: Guidance for Valuers – 2016".* • *For OLB, many sub-classes of assets have been valued by WHE using existing use value, which entails a discounted cash flow assessed against rental income (and we have provided all details of rental income streams where the council lets out the property in question); however, the most significant proportion of valuations within this category are valued using depreciated replacement value, which is employed where there is insufficient market-based evidence due to the property being specialised. In particular, all schools are valued with this approach, and the valuation model takes account of the size of the building, the size of the site (with consideration given to developed area versus undeveloped area), age, and the re-build costs varying between different type of schools. The approach and implementation of the DRC methodology was reviewed by internal staff within the Asset Management team with challenges put to WHE, who were able to explain approaches taken.* • *Surplus Assets have been specifically revalued at fair value (ie market value) by various qualified external valuers as and when they have been transferred into this category. Valuations have taken account of all relevant market factors.* *B) There has been engagement between our external valuers, WHE, and our internal Asset Management team (which includes members of RICS), led by the Head of Asset Management, to ensure that valuation methodology was understood and applied on a consistent basis, was appropriate, and appeared reasonable given local knowledge (and outcomes were challenged, with some resulting amendments).* *C) We are satisfied that climate change does not as yet lead us to curtail the expected lifetime of any assets; we have specifically asked the service lead if any school is recognised as being at risk of severe flooding, and the response was nil return. In terms of the hypothetical rebuilt MEA, the costings are based on up-to-date rebuild costs, and therefore would incorporate implicitly the costs associated with adaptation to more sustainable buildings. Our Head of School Buildings and Development advised that DfE guidance in the building of new schools had been incrementally changing for some time to reflect new building requirements, and the latest was issued May 2022.*

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		D) *The external valuer bases their valuation for many assets on rental incomes, and we provide these directly from our operational asset management system, which is also updated with all relevant facts about our properties that might impact on valuations.* E) *The overall movements relating to revaluation are aligned to the work from the valuer, and this is checked by totalling up the newly revised valuations per sub-group that has been revalued (eg office buildings) and comparing back to the sub-total as provided by WHE. Significant movements in land and building valuations are concept-checked with WHE.* F,G) *The disclosures are complete and appropriate to the best of our knowledge, and we take assurance on this point from the further nearly 4 years of work that officers have undertaken subsequently, with greater engagement and an improved joined-up approach. A cornerstone of this enhanced approach has been regular meetings between Finance staff and Asset Management staff to monitor properties advised as unused by services, which then triggers consideration of change of category (with associated change of valuation basis possibly), and ultimately sometimes recognition of disposals.*
9	We have considered the valuation of the Council's Property, Plant and Equipment that have not been subject to revaluation in year, and are not aware of any circumstances indicating an impairment or volatility in asset values (either in year, or on a cumulative basis since the last revaluation of the assets) that would suggest the carrying value is materially misstated as a result of it not being revalued.	*Firstly, we should note that large segments of our PPE are valued on an annual basis, namely Council Dwellings and Schools (being the two largest asset types), and then other assets are valued on a rotational basis, every five years.* *For 2018/19, £1,881m worth of assets were revalued in-year, with £152m worth revalued in the previous year, out of a total value of £2,146m worth of PPE assets subject to revaluation, which represents 88% of assets with in-year revaluations, and 95% of assets revalued in the period of two years prior to the balance sheet date.* *From the Council's external valuer Wilks, Head and Eve (WHE), we obtained the 'Comparison of Build & Location Factors to Determine Variance Over Financial Period' report. The report uses the BCIS indices and location factors to establish a build rate for building types across years. The result is a market movement rate. Each asset not within the valuation cycle is then classified using the 'Building type' supplied by the valuer and the market movement rates are applied to their last revaluation value. The cumulative change was assessed, and we were therefore able to conclude that there has not been a material change in the value of properties not valued at reporting date.*

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10	We have reconsidered the remaining useful lives of the Council's Property, Plant and Equipment and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.	*For Schools and Temporary Accommodation units we have consulted and engaged with frontline service managers and professionals to elicit information that might demonstrate the need to impair, which would trigger a detailed reconsideration of how much useful economic life remains on an asset.* *We have worked closely with Asset Management colleagues (who take general responsibility for management of non-housing and non-infrastructure assets) to evaluate information that they may have regarding the condition of assets, and this information, where applicable has been forwarded on to WHE.* *In addition, a consideration of the overall in-year depreciation applied for different categories indicates that there would be only immaterial impacts of any reasonable potential changes to the remaining useful lives, as follows:* • *Council Dwellings, with RUL estimated currently at 54 years, had depreciation charged at £15.9m, and even if the RUL were amended to a hypothetical 45 years, then the depreciation would only rise to £19.1m, which is an immaterial change. Indicatively, capital expenditure on upkeep of the housing stock in more recent years is approximately at these levels.* • *OLB depreciation was charged at £13.9m with the majority of that charge attributed to schools with a RUL of 50 years. Even if the RUL were amended to 40 years, it would only increase the in-year depreciation charge to £17.4m, which is an immaterial change.* *Finally, as a result of the audit process, we have accelerated the depreciation on infrastructure assets to take account of disposals and obsolescence, and we have also recognised longer UELs where engineers have advised so. In doing so, this has facilitated amendments to the accounts to ensure compliance with recent national-level issues and requirements regarding infrastructure assets.*
11	We confirm that: a. all retirement benefits and schemes, including funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;	*A) During the audit period, around Sept-Nov 2019, we performed an extensive exercise to identify if there were any unfunded pension liabilities and discovered that this was the case with some retired teachers, who were receiving payments directly from the council's payroll system arising from discretionary awards made at the time of retirement (in previous years), which resulted in an adjustment to the accounts amendment to the net*

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	b. all settlements and curtailments have been identified and properly accounted for; c. all events which relate to the determination of pension liabilities have been brought to the actuary's attention; d. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business; e. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and f. the amounts included in the financial statements derived from the work of the actuary are appropriate.	*pension liability of some £9.4m; however, nothing else came to light. Otherwise, "strain on pension" costs are paid over to the pension fund each year as and when they arise.* *B) Settlements and curtailments have been identified as part of processes when staff have been transferred to/from other employers; there have been no material transfers of staff during 2018/19.* *C) To the best of our knowledge, yes, and this is now in the light of having gone through a further detailed triennial valuation exercise based on 31 March 2022 data (which examined the data in detail again, subjecting it to standard validation checks by the actuary).* *D) Internal assumptions, primarily the rate of increase of salaries as built into the Medium Term Financial Plan for budget-setting purposes, are not inconsistent with the actuarial assumptions.* *E) The actuary's calculations have been based on the detailed 2019 triennial valuation data, which has proved to be well-aligned with 2022 triennial valuation data, which we take assurance from.* *F) The amounts in the financial statements faithfully reflect amounts as advised by actuaries in their IAS 19 reports.*
12	We have reviewed our provisioning for Non-Domestic Rates appeals and consider that the assumptions used reflect our best assessment of the liability in respect of appeals. There are no relevant facts or circumstances of which we are aware that we have not disclosed to you.	*Since the original draft accounts issued on 31 May 2019, which provided for only an exceptionally low level of appeals, we re-performed estimation of this requirement, based on a high-level review of provisions across London (so it was not particularly detailed), and adjusted the provision upwards to £14.1m.* *Further to this we have subsequently constructed a more detailed estimation model based on Valuation Office Agency of appeals and outcomes. When the data trends up to September 2022 are included, the modelled difference from the high-level estimation (ie so an indication of potential error) comes out at £3m under-provision in the accounts. We are satisfied that this is immaterial.* *We have disclosed all relevant facts and circumstances to Deloitte.*
13	We have reviewed our provisioning for recoverability of non-exchange debtors, including in respect of Non-Domestic Rates, Council tax and Housing benefit overpayments, and consider	*During the audit period, we produced alternative methodologies for calculating these sums, resulting in our amending that for HB Overpayments, but supporting (within reasonable tolerances) the sums for NNDR and CT. This is an area which, due to recognising that previous*

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	the assumptions in respect of recoverability to reflect our best assessment of the recoverable amount of these balances. There are no relevant facts or circumstances of which we are aware that we have not disclosed to you.	*methodology was not sufficiently robust, has had significant examination by officers and has been the focus of improvement going into future years' accounts and the closing timetable.* ***<u>Further Information</u>*** *The originally employed methodologies appeared to not take account of more recent data to inform the rates of collection of outstanding debt. During the audit period we therefore reconstructed the model for calculating recoverability such that it would require refreshed data each year (based on the very latest collection rates), so that we could take assurance that calculated recoverability was still appropriate.*
14	We have made the following restatements to correct material misstatements in prior period financial statements that effect the comparative information: a. "PPE adjustments" as set out in Note 2 of the financial statements to correct errors in building and land areas used in valuation calculations; to remove assets which the council does not own or which duplicated other assets on the fixed asset register; to reclassify assets misclassified in other land and buildings to surplus assets and revalue at fair value; and to recognise assets which had been incorrectly omitted. b. "Leaseholder contributions" as set out in Note 2 of the financial statements to correct errors in the recognition of contributions from leaseholders to major works. c. "Grants Unapplied" as set out in Note 2 of the financial statements to correct errors in the recognition of grants and to correct errors in the maintenance of grant control accounts. d. "Schools balances" as set out in Note of the financial statement to correct errors arising from transactions with and relating to schools and to their consolidation into the financial statements	*As per the SoA – confirmed.*

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	e. "Community Infrastructure Levy" as set out in Note 2 of the financial statements to correct errors in the recognition of community infrastructure levy. f. "Teachers pension" as set out in Note 2 of the financial statements to correct an error relating to the omission of a pension liability relating to future direct payments to pensioners in respect of past discretionary enhancements to benefits. g. "Bank offset" as set out in Note 2 of the financial statements to correct the incorrect set-off of bank overdrafts against deposits on the balance sheet. h. "Investment reclassification" as set out in Note 2 of the financial statements to correct errors in the classification of investments between short and long term investments. i. "Recharges" as set out in Note 2 of the financial statements to correct the incomplete elimination of internal recharge transactions. j. "Academy conversions" as set out in Note 2 of the financial statements to record the disposal of non-current assets at schools which converted to academies in 2017/18. k. "Other corrections" as set out in Note 2 of the financial statements. l. Restatement of information relating to employees receiving more than £50,000 in Note 32 Officers' remuneration to correct for the omission of certain higher paid staff and to remove from the disclosure senior staff disclosed in a separate disclosure. m. Restatement of not information including information in Note 16 Financial Instruments relating to the maturity of financial liabilities to correct the basis on which the information is prepared to an undiscounted basis; the	

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	expenditure and funding analysis to correct for the items above and other errors in the originally stated note; disclosures on staff remuneration to include individuals previously omitted from the disclosure on senior officer remuneration and to exclude voluntary aided/controlled schools staff from the disclosure on staff paid over £50,000; and comparative information in other notes identified as restated in the financial statements.	
15	We have provided you with information on all subsidiaries, joint ventures and associates of the Council.	*We confirm we have provided you with all information on all subsidiaries, joint ventures and associates of the Council. This has followed extensive re-canvassing of officers to collect relevant information and re-evaluation of that information (conducted during 2022).* *We have decided to consolidate these entities into group accounts for 2020/21 onwards, recognising that the group's net assets will be quantitatively materially different from the single entity. For 2018/19 the group net assets are estimated as being £27.5m higher than the single entity's.* *Repeating the comments made in Point 1, we believe that the lack of group accounts poses little risk to the financial well-being of the authority or the understanding of the reader of the accounts, since there are no complex financial arrangements between group entities, and as such the financial interactions are straightforward, transparent and unlikely to cause misrepresentation of the financial position of the Council.*
16	You have informed us of the following matters: i. Officers carried out an exercise to evaluate whether accruals were valid and recorded in the correct amount in response to errors identified by your sample testing. The exercise did not cover the whole of the population. Errors identified by the exercise were corrected. The projected error in the part of the population not covered by officers' exercise was £1450k. In addition, the exercise identified accruals totalling £687k where we were not able to obtain sufficient information to determine whether the accrual	*These matters are in the main projections, meaning that they are not necessarily errors to that level. In particular, we have high confidence that the projection for grant income recorded against expenditure [item (iv)] is misleading, since we have expended much time and effort in tracking grants with improved process in later years, and then comparing back to 18/19.* *Bearing that in mind, and that we also have the benefit of an almost final set of accounts for 2019/20 against which we can compare, we are satisfied that these matters, taken individually or in aggregate with the items identified in the Appendix, are immaterial.* *On the detailed level, we take further assurance from the current year misstatements totalling £9.1m credit impact on net assets, and the current year projected misstatements having a total impact of £10.1m debit on net assets, ie to large extent the errors and projected errors*

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	amount was valid and recorded in the correct amount. The further projected error relating to items which could not be supported is £363k. The total projected error for accruals which are not valid or could not be substantiated is £2499k. ii. Sampling of other service expenditure identified a payment which was £155k higher than the amount due but had been expensed in full. You have informed us that the projected error across all accruals is £6.8m. iii. In expenditure analyses provided to us, expenditure on precepts and other levies of £1859k is included twice. We have not been able to determine what adjustment if any is required in respect of this item. iv. Your sampling of other service expenditure identified grant income which had been incorrectly set off against expenditure of £521k. You have informed is that the projected error across all credits to other service expenditure is £14.0m. v. You have informed us that your sampling of reconciling items in individual cash book reconciliations identified a high rate of error (approximately half) at 31 March 2019, where payments were deducted from the cash balance before their release, resulting in the understatement of both cash and short term creditors. The amount of unpresented cheques and BACS at 31 March 2019 was £8,127k, representing the maximum amount of error at each reporting date and the projected error approximately half of this amount. vi. Detailed payroll reports for a sample of schools which had opted out of the council's corporate payroll arrangement could not be reconciled to the council's general ledger. The amounts recorded in the detailed payroll records for	*cancel each other out (figures quoted from the ISA260 report presented to Audit Cttee January 2023).* *Furthermore, there is no combination of items within the projected errors which would, when added to the confirmed errors, lead to a material impact quantitatively.*

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	this sample was £184k more than the amount recorded in general ledger. You have informed us that the projected variance across all schools which had opted out of the corporate payroll arrangement was £1.4m. vii. Discrepancies were identified between floor plans and build area information provided by the council to the valuer and used as an input in the valuation. You have informed us that the projected variance across remaining assets was £3.1m. We confirm our view that misstatements relating to these items, individually and in aggregate with other items summarised in the Appendix, are immaterial.	
17	We have provided you with all relevant information and access as required by the Local Audit and Accountability Act 2014.	*Current officers can confirm we have provided all working papers as available, and also unfettered access to appropriate staff, and external advisers, as and when required. Included within this is the download of transactional data from the general ledger.* *Furthermore, all reports presented to Audit Committee, including the Financial Improvement Plan have been publicly available (or on request where confidential).*
18	All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.	*Current officers confirm this is the case. There has subsequently been an internal audit report performed on the General Ledger, in 2020/21, which gave a level of assurance of "reasonable".*
19	We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.	*We have a small in-house Audit team which is supported by a large experienced external firm, BDO. Each year, the Audit team present a work plan to the Audit Committee, informed by various factors (eg. an assessment of risks perceived by senior management, audit need assessment based on risk factors, and internal risk registers). In addition, we have a strong and pro-active anti-fraud function, including an experienced ex-police officer, sitting under the Head of Internal Audit.* *There was regular and extensive reporting to Audit Committee throughout the 2018/19 financial year (and this is an ongoing arrangement), with a summary annual report presented in July 2019; this final report also included the opinion of the Head of Internal Audit with*

Para	Management Representation – Key Statements	Supporting process, and consideration
		regard to the adequacy and effectiveness of governance, risk management and internal controls. *In addition, the drawing together and review/approval stages of the Annual Governance Statement would indicate that a robust approach to the assessment of governance controls was undertaken.* *Furthermore, other fraudulent transactions or error arising from management manipulation or mishandling of budgets or expenditure are considered to be mitigated against by means of internal audit work taken together with reviews conducted by the finance function. We acknowledge that during the audit of 2018/19 there were many adjustments made to correct errors, but believe that the remedial work has resulted in elimination of any material misstatement. We have built on the experience of the 2018/19 audit to review key controls around the general ledger going forwards (as captured in the Finance Improvement Plan, which has been reported to Audit Committee on a regular basis).*
20	We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.	*Yes, this has been sent.*
21	We are not aware of any fraud or suspected fraud that affects the entity and involves: a. management; b. employees who have significant roles in internal control; or c. others where the fraud could have a material effect on the financial statements.	*At the time of drafting this report, we have not identified any such cases of fraud (that would affect the financial statements) – please see response below for detail of review carried out.*
22	We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.	*Summaries of all matters of fraud were reported back to Audit Committee as content within the Internal Audit Annual Reports, which included details of case numbers and brief categorisation of matters – these reports, up to and including 2021/22, have been re-examined to determine if there were any matters which would be significant to the financial statements.* *Similarly, Annual Reports presented from the Standards Advisory Committee to Council, summarising the key matters of the year, including numbers of breaches of the Code of*

Para	Management Representation – Key Statements	Supporting process, and consideration
		Conduct by Members and subsequent follow-up action, have been examined to determine if there were any matters of fraud. *However, due to changes of staff at Monitoring Officer and Head of Internal Audit level, and the de-commissioning of the record-keeping system in Internal Audit, Anti-Fraud and Risk team (and also possibly the incomplete transfer of files when MS Teams was brought in), the Council no longer appears to have a fully complete set of detailed records of whistleblower activity, or of the items that constitute "corporate/internal referrals in respect of alleged fraud or code of conduct breaches" as captured in the Internal Audit Annual Report to the Audit Committee for the financial years 2018/19 or 2019/20.* *Furthermore, we have examined documentation and files that we can locate (for example we still have some of the old whistleblower records in paper format). The vast majority of matters being reported (through either whistleblowers, the Standards Advisory Committee or other referrals to the IAAF&R) team would be better described as relatively minor breaches of best practice, the Members' Code of Conduct and indeed are often unsubstantiated.* *We acknowledge that one Member was convicted of social housing fraud, relating to offences in 2018 or earlier.*
23	We have disclosed to you all known instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements	*No attempt has been made to conceal any matters. Open access to Internal Audit has been provided. A final check with CLT was conducted in December 2022.*
24	We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. In making this representation we note that we have brought to your attention that returns have not been by provided by all relevant councillors (or such returns cannot now be located) giving details of their interests and therefore we have not communicated information on relationships and transactions that would be expected to have been identified through this process.	*A) We have assessed Members and Senior Officers for any potential relationships between themselves (and their close family) and any other entities that LBTH might have relationships with by means of requesting information on interests (at the time of closing the 2018/19 accounts – so about Spring 2019)) and cross referencing where possible to third party sources of information (such as Companies House); however, there are a number of Members for whom the requested return on interests has not been located, and the note is therefore deficient (and we expect to receive a qualification for this - please see "Further Information" given under item (1) above). This issue has been remedied for 2019/20.*

Para	Management Representation – Key Statements	Supporting process, and consideration
		B) During the audit period we performed further review of the group boundary, triggering more detailed examination of the accounts and sometimes the memorandum and articles of association of potential entities where a related party situation was suspected.
25	All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. On the basis of legal advice we have set them out in the attachment with our estimates of their potential effect. No other claims in connection with litigation have been or are expected to be received.	*This was requested through the Monitoring Officer, and included in the CLT report in December 2022. [Prior to escalation to the Monitoring Officer, much background work had been undertaken with officers within the Legal Services teams, producing refreshes of this list on multiple occasions, most recently 17 October 2022, and then again for January 2023.]* *All impacts of such claims and litigation have been properly reflected in the accounts, within our Provisions.*
26	We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.	*Officers are not aware of such, and re-checked this at CLT in December 2022.*
27	We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.	*Yes, and confirmed once again by CLT in December 2022.*
28	We have disclosed to you all deficiencies of which we are aware in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.	*Yes, and confirmed once again by CLT in December 2022.*