Management Representations to Deloitte for 2019/20 – Enhanced Considerations

This table is based on the report presented to Audit Committee in May 2023, with updated text shown in bold, and where no update is applicable the section item has been removed.

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 2019/20 ("the Code") except: a. As set out in note 42, group accounts have not been prepared as required by the Code b. As set out in note 29, 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 29, the disclosure of the number and value of exit packages required by the Code does not include exit packages given to all relevant employees. **d. As set out in note 4, the effect of issues relating to the quality of pension scheme membership data on the pension liability at 31 March 2020 and related entries.** **e. As set out in note 35, it is uncertain whether all related party relationships have been considered for the comparative year.**	*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* • *Group Accounts* • *Related Parties (see further information below)* • *Officers' Remuneration (see further information below)* • ***The net pension liability (shown on the balance sheet)*** *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*

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		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. *For the compilation of the 2019/20 accounts, the CIPFA checklist was integrated into preparatory working papers.* ***<u>Further Information</u>*** *The information that feeds into the Officers' Remuneration note, note 29, 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.* ***The valuation of the pension liability and related entries relies on information about scheme members, such as their age and current salary or annual pension. Errors were identified in the information provided by the council to the actuary for the purpose of the valuation of the liability at 31 March 2020, some of which were also present at 31 March 2019. It has not been practicable to check and correct all errors in view of the volume of records involved.***
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.* *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 £2.5m under-provision as at the balance sheet date.*

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		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 2019/20; however, this is an immaterial amount. ***Immaterial items identified in year-end outturn reports are:*** ***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 2020.* - *Within the HRA, an item described as "historic TMO rent rebates" was reported, which arose through performing a detailed reconciliation on the tenant control account in 2020/21, and assessed that net assets were overstated by £1.8m as at 31 March 2020.* ***Immaterial amount identified in 2023/24 Q2 budget monitor report*** ***Collection rates of Council Tax, although higher in 2023/24 than 2022/23, have still not returned to pre-pandemic levels. Since most of the uncollected debt relates to years later than 2019/20, and also the actual loss allowance provided for as at 31 March 2020 exceeded the calculated estimate by £0.7m, there is no material impact arising from these lower collection rates that have materialised.*** ***Immaterial item identified since May 2023:*** ***There has been a recent revision of guidance by government regarding the use of reinforced autoclaved aerated concrete (RAAC) to suggest that in some instances it may be unsafe and require remedial action. The Council has reviewed its portfolio of properties, performing both desktop evaluation based on age and style of build, and on-site inspection where there was uncertainty as to whether RAAC was present or not, and is satisfied that across the board there is no material financial impact arising from possible usage of RAAC.***

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5	The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.	*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 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 3 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 £6.8m credit impact on net assets, and the current year projected misstatements having a total impact of £3.7m credit on net assets (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.* ***There are further items recognised as uncorrected misstatements in the November 2023 update; however, they are of low value in aggregate, and officer consideration remains that overall individually, and in aggregate, uncorrected misstatements and disclosure deficiencies are immaterial.***
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; 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	*A) During the audit period for the 2018/19 accounts, 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 additional net pension liability of some £10.2m as at 31st March 2020; 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 2019/20.*

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<tr><th>Para</th><th>Management Representation – Key Statements</th><th>Supporting process, and consideration</th></tr>
<tr><td></td><td>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 real salary increase assumption is consistent with our long term view of future salary growth;
~~f. the actuary’s calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and~~
g. the amounts included in the financial statements derived from the work of the actuary are appropriate**, except for the effect of the following issue:**
• **We are unable to confirm that the actuary’s calculations have been based on complete and up-to-date member data as far as appropriate regarding the adopted methodology.**
We are unable to confirm that:
the actuary’s calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology.</td><td>*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) As per part (B) to response 2, the assumptions have been freshly re-examined, and we are satisfied that they are reasonable.
E) This is covered in the above really, but additionally, it is difficult to envisage that real terms growth in salaries will ever be significant in local government when central governments have consistently prioritised other areas within the public sector, so the 0.2% real terms growth appears reasonable.
F) ~~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~~.
G) The amounts in the financial statements faithfully reflect amounts as advised by actuaries in their IAS 19 reports.
The valuation of the pension liability and related entries relies on information about scheme members, such as their age and current salary or annual pension. Errors were identified in the information provided by the council to the actuary for the purpose of the valuation of the liability at 31 March 2020, some of which were also present at 31 March 2019. It has not been practicable to check and correct all errors in view of the volume of records involved.</td></tr>
<tr><td>15</td><td>You have informed us of the following matters:
i. ~~There are differences between the aggregate reconciled cash book position for all schools and the related general ledger control account balance of £699k at 31 March 2020 and £934k at 31 March 2019~~. Your test of reconciling items in individual schools cash book reconciliations identified a high rate of error (approximately half at 31 March 2020), where payments were deducted from the cash balance before their release, resulting in the understatement of both</td><td>*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 of £6.8m credit impact on net assets, and the current year projected misstatements of £3.7m credit impact on net assets, giving a (limited) total impact of £10.5m credit on net assets (figures quoted from the ISA260 report presented to Audit Cttee May 2023, Appendix A).
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.
The amendments made to the wording are minor details, and the conclusion still stands*.*</td></tr>
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	cash and short term creditors or included invalid entries which should be released to income. The amount of unpresented cheques and BACS at 31 March 2020 and 31 March 2019 is £2,348k and £8,127k, respectively. ii. Sample testing identified accruals which were not valid or which were incorrectly calculated. The amount of the error identified was an overstatement of accruals of £78k. You have informed us that the projected error across all accruals was £797k. iii. Sample testing identified the overstatement of amounts due from taxpayers, of £980k of which the council's share is £470k. You have informed us that the projected error in the remainder of the population is a further £3,082k, of which the council's share is £1,479k. iv. There is a difference between the detailed breakdown of amounts owed to business rate payers and the total recorded in the general ledger account. The difference is unreconciled and may relate to timing differences between the running of the two reports (which may not require any adjustment) or may relate to non timing differences which require adjustment. As a result, net assets may be overstated by £1.1m. v. 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 this sample was £196k more than the amount recorded in general ledger. The projected variance across all schools	

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	which had opted out of the corporate payroll arrangement was £1.2m. vi. ~~Discrepancies between information given to the valuer and site plans were identified in your sample testing of the valuation at 31 March 2019 during your 2018/19 audit. You have informed us that the projected error was £3.1m. As the valuation at 31 March 2020 relied on the same information on floor areas, there is also a potential misstatement of the same amount at 31 March 2020.~~ **Discrepancies between information given to the valuer and site plans were identified in your sample testing of the valuation at 31 March 2020. You have informed us that the projected error is £2.3m (reduction in net assets).** vii. Only a partial reconciliation between the transfer from General Fund to schools reserves shown in the Movement in Reserves Statement and the total of income and net expenditure for schools recorded in the general ledger has been performed. The reconciliation shows an expected deficit for schools of £1,107k compared to an actual transfer from school reserves of £244k (i.e. giving a remaining, unexplained difference of £1,351k). In addition, you have informed us of the following additional matter in the prior year: viii. 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	

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	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 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. We confirm our view that possible misstatements relating to these items, individually and in aggregate with other items summarised in the Appendix, are immaterial.	
24	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.* ***We have received updates from Legal Services, and, as might be expected, are seeing that outstanding claims that relate back to the period in question are diminishing. No new claims have come to light.***