

<p>Non-Executive Report of the:</p> <p><b>Audit Committee</b></p> <p>Tuesday, 30 May, 2023</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Interim Corporate Director, Resources</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Management Letters of Representation to Deloitte</b></p>	

<b>Originating Officer(s)</b>	Tim Harlock, Interim Head of Strategic Finance – Chief Accountant
<b>Wards affected</b>	All wards

### **Executive Summary**

The Council is required to send a letter of management representations, for each year of the accounts, to the external auditor, Deloitte. The purpose of this letter is fundamentally to acknowledge, formally, that we have informed them of everything that we should have, and that we have fulfilled our professional responsibilities.

This report is intended to provide Members with assurance such that the London Borough of Tower Hamlets can formally approve the management representations to be made to Deloitte with regard to the 2018/19 and 2019/20 financial statements.

The appendices to this report provide the draft content of those letters of representations, together with the processes undertaken to ensure those representations are made appropriately.

### **Recommendations:**

The Audit Committee is recommended to:

1. Review the process by which assurance has been sought regarding the representations to be made, and make enquiry of officers as appropriate.
2. Delegate authority to the Chair of Audit Committee and the s151 Officer to sign off the final versions of the letters of management representations (which may yet be subject to minor alterations); the exception to this delegation would be if significant failings came to light subsequent to this meeting.

## **1. REASONS FOR THE DECISIONS**

- 1.1 These are steps required in order to achieve sign-off of the financial statements for 2018/19 and 2019/20.

## **2. ALTERNATIVE OPTIONS**

- 2.1 There are no alternative pathways to sign-off of the financial statements; however, if Members feel they have insufficient assurances from officers (or Deloitte), then they are able to defer the decision until such assurance is provided.

## **3. DETAILS OF THE REPORT**

- 3.1 This committee last received update reports in January 2023 regarding the 2018/19 and 2019/20 statements of accounts. Since then, further work has been performed on the accounts, and also on the audit of those accounts. Details of the additional work are provided elsewhere on the agenda at tonight's meeting.
- 3.2 In preparation for the anticipated sign-off of those accounts, which will hopefully be within a reasonably short period of time after the date of this meeting, officers are submitting a copy of management representations and the associated processes of assurance to this committee for scrutiny, and subsequent approval.
- 3.3 In the standard process of audit sign-off of the accounts, a letter of management representations is requested by the audit firm from their client, in this case being the London Borough of Tower Hamlets.
- 3.4 In the case of the financial statements for 2018/19 and 2019/20, presumably due to the length of time of the audits, the number of errors identified and corrected, and the turnover of senior staff within the Finance team, Deloitte has perceived additional risk to these audits, and requested that we perform an enhanced process of management representations.
- 3.5 In response to that request we have documented the processes, and the consideration given to those processes, in the appendices to this report.
- 3.6 The representations as presented will then, at the time when Deloitte are ready to sign off, be copied over into formal letters and signed by the Chair of this committee and the s151 Officer (the Corporate Director – Resources).

#### **4. EQUALITIES IMPLICATIONS**

4.1 There are no equalities implications arising from this report.

#### **5. OTHER STATUTORY IMPLICATIONS**

5.1 Approval of the accounts, once Members are satisfied, is a statutory responsibility that falls to Audit Committee.

#### **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 This whole report presents matters that are directly concerned with fulfilment of the role and responsibilities of the s151 officer.

#### **7. COMMENTS OF LEGAL SERVICES**

7.1 Regulation 10 of the Accounts and Audit Regulations 2015 requires a local authority to publish their statement of accounts not later than 31 July of the financial year immediately following the end of the financial year to which the statement relates, or, for the financial year starting in 2019, not later than 30 November. These dates have not been kept.

7.2 Regulation 3 of the Accounts and Audit Regulations 2015 requires a local authority to have a sound system of internal control which ensures that the financial and operational management of the authority is effective.

7.3 Save as mentioned above, the matters set out in this report comply with the above legislation.

7.4 The Council's Constitution permits delegation of functions as proposed in this report.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- There have been various updates provided to this committee since July 2019 from both Deloitte and officers, but this report, taken together with the Deloitte reports presented on this agenda, should provide a reasonable summary of where we are now for the purposes required.

#### **Appendices**

- Appendix A: 2018-19 Management Representations – processes of assurance

- Appendix B: 2019-20 Management Representations – processes of assurance

**Local Government Act, 1972 Section 100D (As amended)**

**List of “Background Papers” used in the preparation of this report**

List any background documents not already in the public domain including officer contact information.

- NONE.

**Officer contact details for documents:**

N/A