# London Borough of Richmond upon Thames

## Audit Results Report

## Year ended 31 March 2024

25 February 2025

London Borough of Richmond upon Thames
Civic Centre,
44 York Street,
Twickenham, TW1 3BZ

25 February 2025

Dear Audit, Standards and Statutory Accounts Committee Members

2023/24 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit, Standards and Statutory Accounts Committee .

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on London Borough of Richmond upon Thames (the Council) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit, Standards and Statutory Accounts Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 25 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement (driven by the prior year disclaimer and the knock-on and flow-through impacts into 2023/24). Hence, whilst we are confident of completing all planned procedures for the 2023/24 audit, the requirement to conclude our work by the 2023/24 back stop date coupled with the lack of evidence over certain movements and balances due to disclaimer in prior year mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore issued a disclaimed 2023/24 audit opinion. See Section 4 of this report for detail of the opinion.

This report is intended solely for the information and use of the Audit Standards and Statutory Accounts Committee, Other Councillors and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Ben Lazarus

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit, Standards and Statutory Accounts Committee and management of London Borough of Richmond upon Thames in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit, Standards and Statutory Accounts Committee and management of London Borough of Richmond upon Thames those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit, Standards and Statutory Accounts Committee and management of London Borough of Richmond upon Thames for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.


# 01 Executive Summary


# Executive Summary – Context for the audit

## Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ► Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ► Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ► Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 25 November 2024 Audit Completion Report to the Audit Standards and Statutory Accounts Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced work to rebuild assurance ahead of the 2023/24 backstop date and completed all the work we planned in 2023/24, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over 2022/23 movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

Other that these inherent brought forward issues, we have completed all planned 2023/24 procedures without significant issue. A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.


# Executive Summary (cont’d)

## Scope update

In our Audit Planning Report presented at the 02 July 2024 Audit, Standards and Statutory Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with no significant changes to bring to your attention.

As outlined in Section 04 of the Audit Planning Report, Group/Council planning materiality for 2024 has been set at £9.7 million, performance materiality of £4.8 million, component performance materiality of £1.4 million and audit difference threshold of £0.5 million. There have been no changes to our materiality assessments while conducting our audit procedures since that time.

## Status of the audit

Our audit work in respect of the Council opinion is complete. Please refer to Appendix A for details of summary of assurance obtained against each area including group.

## Value for Money

In our Audit Planning Report dated 02 July 2024, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures in this area we have not identified any significant weaknesses in arrangements. See Section 03 of the report for further details


# Executive Summary (cont’d)

## Audit differences

We have summarised below uncorrected and corrected misstatements which exceeds our reporting threshold of £.5m

### Uncorrected Misstatements (Including Judgemental and Projected Misstatements):

- Property, Plant and Equipment (PPE)
  - We have identified one judgemental misstatement of £736k which reflects the potential movement of total assets from the valuation date (31-December 2023) to the yearend date (31 March 2024). This is based on EY market research of relevant indices which indicates a potential overstatement across the total assets valuation. This is just a reasonable estimate on total assets and is not expected by management to correct this.
  - We have identified one misstatement resulting in an overstatement of £815k due to the insufficiency of supporting evidence provided by management and external valuer, Wilks, Head and Eve (WHE). We are not able to obtain sufficient evidence to conclude on of the input (Gross Internal Area) used in the asset valuation exercise. We are comfortable that £815k is the maximum quantum of the error.

Creditors/Accrued Liabilities

- We have identified one factual uncorrected misstatement of £950k during our cut off testing where expenditure and the related liability was recorded in the incorrect period. The expenditure relates to 2023/24, however it was incorrectly recognized in 2024/25.
- We have identified two projected misstatements of £847k and £1.157m during our testing of manual creditors and cut off testing resulting in an understatement of creditors. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contain a mis-statement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated mis-statement. The projected misstatements are based on individual small differences in EY samples summing up to £82k in total. This figure is then extrapolated to estimate the misstatement for the entire relevant population. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement across the entire population.

Prepayments

- We have identified one projected misstatement of £973k where the prepayments were understated as the payments made for 2024/25 were not transferred to prepayments at year end. The projected misstatements are based on individual small differences in EY samples summing up to £3k in total. This figure is then extrapolated to estimate the misstatement for the entire relevant population. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement across the entire population.

Other Income

- We have identified one projected misstatement of £765k during income testing due to extrapolation resulting in an overstatement in current year income. The Council as per their policy does not raise accruals under £10k. Regardless we are still required to assess the impact of prior year income recognized in the current year due to this policy. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contain a misstatement. The projected misstatements are based on individual small differences in the EY samples summing up to £128 in total. This figure is then extrapolated to estimate the misstatement for the entire relevant population. Management is not expected to correct this amount as they have followed their accruals policy, and it represents an estimate based on the sample tested rather than an actual misstatement across the entire population.


# Executive Summary (cont’d)

## Audit differences (Con’d)

The uncorrected misstatements would result in an increase of £4.29m in total expenditure within the Comprehensive Income and Expenditure Statement to which £1.551m relates to other comprehensive income and £2.74m relates to Surplus or Deficit on provision of services. This adjustment would correspondingly lead to a decrease of £1.34m in non-current assets and an increase of £2.95m in current liabilities. The details of impact of uncorrected misstatements on current year Comprehensive income and Expenditure and balance sheet is presented in Section 05 of the report.

### Corrected Misstatements:

Management have corrected the following misstatements which exceeds our performance materiality of £4.8m:

- PPE Valuation
  - £5.449m increase in the value of PPE, where the valuation of Collis School had been understated due to outdated information used by management’s external valuer, WHE. We have also identified another school that has been demolished and rebuilt. However, the valuer has continued to assess the historic asset value due to the lack of updated information. Council management has agreed to update the valuation of this asset and are currently working with the valuer to determine the numerical impact on the asset balance. Given that we have identified multiple instances where the valuer has not used updated asset information in the valuation process, we have requested management to provide an assessment of the remaining school properties, which is still pending. This is to ensure that the valuer has the most current information and that the instances identified by EY are isolated. We will update the Committee on output of this assessment once complete. Combined with other instances identified during our audit work of asset valuation, we have proposed a control recommendation in Section 06 of the report.

### Disclosures Misstatements:

We have identified the following disclosure misstatements which have been adjusted by management.

- When agreeing the specific Public Finance Initiative (PFI) asset disclosures to the fixed asset register, we identified that the disclosure erroneously included land values attributable to the PFI assets for the primary schools. These should not be included within the disclosure as the land is owned by the Council and the PFI assets are specifically the buildings on the sites. This misstatement is therefore limited to the PFI assets disclosure, which reduced the value of these assets by £14.7m. Further, the disclosed balance for Payments due under PFI Schemes for residential care homes does not reconcile with the 2023/24 PFI Model and should be reduced by £10.244m. Management have agreed to correct these misstatements.
- In Note 23 of the Financial statements, the movement in business rates appeals provision does not reconcile with the National Non-Domestic Rates (NNDR) 3 return and the increase in provision (description as per FS Note) should be reduced by £6.31m and the amount utilised in year should increase by the same amount. However, there will be no net impact on closing provision as this is a disclosure misstatement in provision movement only.
- In Note 33- Officers’ Remuneration-, the disclosed pension amount of Council’s senior employees is understated by £38k.Further, disclosed salary of Executive Director of Children’s Services is understated by £15k.


# Executive Summary (cont'd)

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will perform the procedures required by the NAO on the Whole of Government Accounts submission following the completion of the financial statements audit. We anticipate that the Council will be below the threshold requiring more detailed procedures.

We have no other matters to report.


# Executive Summary (cont'd)

## Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of London Borough of Richmond Thames. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

| Fraud Risk | Findings & Conclusions |
| --- | --- |
| Misstatement due to fraud or error | From our procedures to date, we have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements. |
| Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure | From the work completed to date, we have not identified any evidence of manipulation of expenditure through either the incorrect capitalisation of revenue expenditure or within the Revenue Expenditure Funded from Capital Under Statute (REFCUS) balance.<br><br>We have also concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance. |
| **Significant Risk** | **Findings & Conclusions** |
| Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV) | In addition to the work undertaken by the local audit team, we also employed our own internal expert to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis. We have completed our work in this area and identified multiple misstatements.<br><br>For the sample asset within the scope of the work of the local audit team we noted that one asset was overvalued by £1.163m due to the use of incorrect income figures and one asset was undervalued by £2.657m due to the application of an incorrect uncertainty adjustment factor by management specialist, WHE. Both misstatements are adjusted by management. For one asset of £815k ,we were not able to obtain sufficient evidence to conclude on one of the inputs (Gross Internal Area) used by managements' external specialist, WHE. This is reported as uncorrected misstatement above and at Section 05. Combined with other identified misstatement related to asset valuation, we have proposed a control recommendation in Section 06 of the report. |


# Executive Summary (cont'd)

## Areas of audit focus (Continued)

| Significant Risk | Findings & Conclusions |
|---|---|
| Valuation of investment property – valued under Existing Use Value (EUV) / Fair Value (FV) | In addition to the work undertaken by the local audit team, we have employed the use of our own internal expert to support the work in relation to the valuation of investment properties valued on an EUV or FV basis. We have completed our work in this area and identified one misstatement.<br><br>For one asset within the scope of the EY internal valuer, the property value was outside of the acceptable range by £553k. This misstatement has been corrected by management. No other issues noted. |
| **Area of Audit Focus/ Inherent Risk** | **Findings & Conclusions** |
| Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC) | In addition to the work undertaken by the local audit team, we also employed the use of our own internal expert to support the work in relation to the valuation of land and buildings valued on a DRC Basis. We have completed our planned work in this area, except for review of management assessment of remaining school population, and identified two misstatements.<br><br>For one asset within the scope of the EY internal valuer work, we noted an understatement of £5.449m in school's valuations due to outdated information used by managements' external valuer, WHE. We noted an understatement of £3.01m in the Russell Primary school initial valuation, where the school was demolished and rebuilt. However, the valuer has continued to assess the historic asset value due to the lack of updated information. Both of these errors have been corrected by management. Given that we identified multiple instances where the valuer had not used updated asset information in the valuation process, management conducted a detailed review of the remaining school properties. This review was to ensure that the valuer has the most current information and that the instances identified by EY are isolated. As a result of this review, no additional assets have been identified. Combined with other identified misstatements related to asset valuations, we have proposed a control recommendation in Section 06 of the report |
| Pension liability valuation | We tested the Council's pension liability valuation and assessed the work of the Council's actuary, Barnett Waddingham. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated.<br><br>We have also undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Barnett Waddingham. No material differences were identified from this process. |


# Executive Summary (cont'd)

## Areas of audit focus (Continued)

| Area of Audit Focus/ Inherent Risk | Findings & Conclusions |
|---|---|
| | We have received the IAS19 assurance letter from the auditor of the Wandsworth Pension Fund and noted no material exceptions. |
| IFRS 16 - Leases | We have completed our procedures on IFRS 16 assessment provided by management and noted an error In the calculation. We concluded that the estimated impact of IFRS 16 on the Council balance sheet would be £13.2m rather than the £17m disclosed in the draft financial statements. Management has amended the disclosure. No other issues were noted. |

We request that you review these, and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit, Standards and Statutory Accounts Committee or Management.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

During the audit, we identified three areas as part of the 2023/24 audit for the Committee's attention relating to the property, plant and equipment capitalization; PPE classification and PPE valuation. See Section 06 for further details.

## Independence

Please refer to Section 08 for our update on Independence. We have no matters to bring to your attention relating to independence.

# 02 Areas of Audit Focus

# Areas of Audit Focus

## Presumptive risk of management override of controls

**Misstatement due to fraud or error**

**Fraud Risk**

### What is the risk?

The financial statements as a whole are not free of material mis-statements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

### What is the status of our work

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

We reviewed whether there were any unusual transactions and concluded there were none that indicated management override.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we;

- Identified fraud risks during the planning stages, which reflect the significant fraud risk recognised in this report (the risk of inappropriate capitalisation of expenditure).
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks in this report.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
  - Tested the appropriateness of journal entries recorded in the general ledger and other adjustments in the preparation of the financial statements.
  - Evaluated the business rationale for significant unusual transactions outside the normal course of business
  - Assessed accounting estimates for evidence of management bias through undertaking a detailed review of accounting estimates for evidence of bias (such as valuation of land and buildings (PPE) ,investment property and IAS 19 pension balances) and substantively tested unusual or unexpected transactions.
  - We considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.

# Areas of Audit Focus (cont'd)

## Significant Risk

### Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

Fraud Risk

### What is the risk, and the key judgements and estimates?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material mis-statements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

mis-statements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. We are focusing our testing on capital additions and REFCUS.

PPE: Additions totalled £15.4 million in the 2023/24 unaudited financial statements.

REFCUS: totalled £9.8 million in the 2023/24 unaudited financial statements.

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we;

- Tested a sample of Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- For the sampled assets, we assessed whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- For the sampled assets, we considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Tested a sample of REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year

### What is the status of our work

We have not identified any material issues indicating manipulation through incorrect capitalisation of revenue expenditure within the property, plant and equipment additions balances and in the REFCUS balances within the financial statements. We have also concluded our work on the testing of additions made to property, plant and equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the property, plant and equipment additions balances.

Our work around the testing of journals processed is complete. We have no matters to report.

# Areas of Audit Focus (cont’d)

## Significant Risk

**Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV)**

**Significant Risk**

### What is the risk, and the key judgements and estimates?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council’s financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

At 31 March 2024, the value of land and buildings valued at EUV/FV was £117 million.

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

### Our response to the key areas of challenge and professional judgement

In response to the risk, we;

- Considered the work performed by the Council’s valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council’s valuer by reference to external evidence and our EY valuation valuers. This included considering significant or unusual movements in valuation, difficult to value valuer assets. Additional work has been completed on this area including derailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5-year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries have been correctly processed in the financial statements.

### What is the status of our work

In addition to the work undertaken by the local audit team we also employed the use of our own expert to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis. We have completed our work in this area and identified multiple misstatements.

For the sample asset within the scope of the local audit team we noted that one asset was overstated by £1.163m due to the use of incorrect income figures and one asset was understated by £2.657m due to the application of an incorrect uncertainty adjustment factor by management’s external valuer, WHE. Both misstatements are corrected by management. For one asset of £815k ,we were not able to obtain sufficient evidence to conclude on one of the inputs (Gross Internal Area) used by managements' external valuer, WHE. This has been reported as uncorrected misstatements and are included at Section 05. For one additional asset, we have identified a factual difference of £2.287m due to differences in inputs used in the calculation by managements' external valuer versus EY which is adjusted by client.

# Areas of Audit Focus (cont'd)

Significant Risk

**Valuation of investment property – valued under Existing Use Value (EUV) / Fair Value (FV)**

**Significant Risk**

### What is the risk, and the key judgements and estimates?

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment property assets valued on an EUV/FV basis totalled £16.152 million in 2023/24 based on the unaudited financial statements.

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and forecast future income.

### Our response to the key areas of challenge and professional judgement

In response to the risk, we;

- Considered the work performed by the Council's valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation valuers (as necessary – such as significant or unusual movements in valuation, difficult to value valuer assets, etc).
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)).
- Confirmed that valuation was undertaken to ensure all investment property had been valued in year as required by the Code.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have been occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries have been correctly processed in the financial statements.

### What is the status of our work

In addition to the work undertaken by the local audit team, we have employed the use of our own expert to support the work in relation to the valuation of investment property valued on an EUV or FV basis. We have completed our work in this area and identified one misstatement.

For one asset within the scope of our EY internal valuer the property value was outside the acceptable range by £553k. This has been corrected by the management. No other matters were identified in respect of investment properties.

# Areas of Audit Focus (cont'd)

Inherent Risk

**Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)**

**Inherent Risk**

### What is the risk, and the key judgements and estimates?

Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

The value of land and buildings in PPE under DRC represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2024, the value of land and buildings subject to DRC valuations was £713 million.

### Our response to the key areas of challenge and professional judgement

In response to the risk, we;

- Considered the work performed by the Council's external valuers (Wilks, Head & Eve) and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY internal valuation specialists. This included considering significant or unusual movements in valuation and difficult to value assets. Additional work has been completed on this area including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5-year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries have been correctly processed in the financial statements.

### What is the status of our work

We have completed our planned work in this area, except for review of management assessment of remaining school population, and identified two misstatements. For one asset within the scope of the EY internal valuer, we noted an understatement of £5.449m in school's valuations due to outdated information used by managements' external valuer, WHE. We also noted an understatement of £3.01m in the Russell Primary school, where the school was demolished and rebuilt. However, the valuer has continued to assess the historic asset value due to the lack of updated information. Both of these errors have been corrected by management.

# Areas of Audit Focus (cont’d)

## Inherent Risk

### What is the status of our work

Given that we identified multiple instances where the valuer had not used updated asset information in the valuation process, management conducted a detailed review of the remaining school properties. This review was to ensure that the valuer has the most current information and that the instances identified by EY are isolated. As a result of this review, no additional assets have been identified. Combined with other identified misstatements related to asset valuations, we have proposed a control recommendation in section 06 of the report

# Areas of Audit Focus (cont'd)

Inherent Risk

Pension liability valuation

Inherent Risk

What is the risk, and the key judgements and estimates?

Pension liability valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024, the Council has reported a change from a net asset position to a net liability (£73.5 million asset in 2022/23 to a £14.3 million liability in 2023/24). The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

In response to the risk, We:

- Liaised with the auditors of Wandsworth Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all local government sector auditors and considering any relevant reviews by the EY actuarial team.
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's valuer's model.
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Engaged EY actuarial specialists to review the roll-forward of liabilities.

What is the status of our work

We were satisfied there was no evidence of material misstatement arising from the work completed above. In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions valuer to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham and this identified no material issues.

# Areas of Audit Focus (cont'd)

Inherent Risk

**IFRS 16 - Leases**

**Inherent Risk**

### What is the risk, and the key judgements and estimates?

Implementation of IFRS 16 (Leases) has been deferred and will be mandatorily implemented in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2024/25.

The Council must however undertake the preparation of a comprehensive readiness assessment in advance of the implementation date. This assessment should disclose all known or reasonably estimable information pertinent to evaluating the potential impact that the standard will have on the financial statements during the initial period of application. The standard requires management to make significant judgments and estimates, particularly in determining the lease term, the discount rate, and the identification of lease components. These judgments and estimates are inherently uncertain.

In the draft unaudited financial statements, an estimate of the potential impact of IFRS 16 in 2024/25 has been included which is £17 million in long term assets.

### Our response to the key areas of challenge and professional judgement

In response to the risk we :

- Reviewed the Council's impact assessment.
- Assessed that the council has used an appropriate methodology for calculating the potential impact on the financial statements i.e. right-of-use assets and lease liabilities.
- Evaluated the reasonableness of the assumptions and estimates used in the impact assessment, such as the discount rate, the lease term, and the identification of lease and non-lease components.
- Engaged in discussions with management to understand their judgments and decision-making process related to the impact assessment.

### What is the status of our work

We have completed our procedures on IFRS 16 assessment provided by management and noted an error In calculation. We concluded that the impact of IFRS 16 on Council balance sheet would be £13.2m rather than the £17m disclosed in the draft financial statements. Management has amended the disclosure. No other issues have been noted. Upon full implementation of IFRS 16 in 2024/25 we will need to complete a more detailed review of the updated disclosures as a result of full IFRS 16 implementation.

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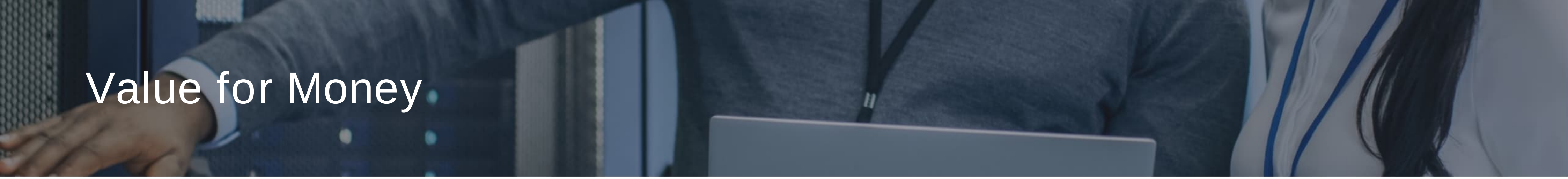
# 03 Value for Money



# Value for Money

## The Authority's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

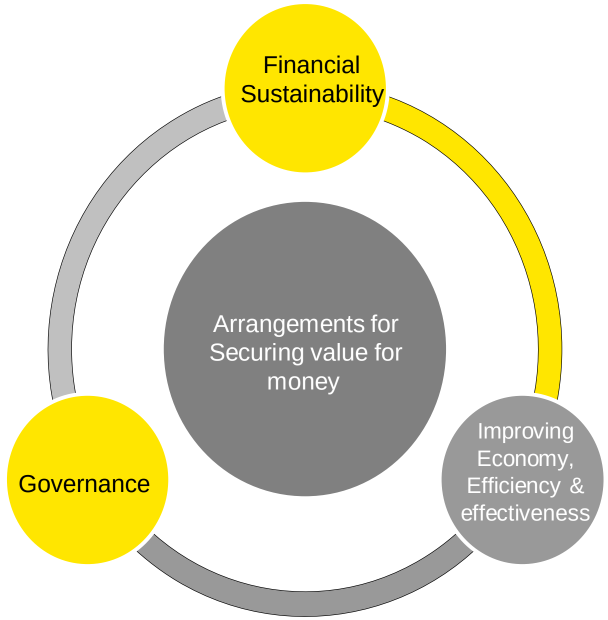
We are required to consider whether the Council has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council’s arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements. We will issue our VFM narrative commentary in our 2023/24 Auditor’s Annual Report which we expect to issue in February 2025.



# 04 Audit Report

# Audit Report – 2023/24

Disclaimed audit report

## Disclaimed Audit Report 2023/24

### Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF RICHMOND UPON THAMES

Disclaimer of Opinion

We were engaged to audit the financial statements of London Borough of Richmond upon Thames ('the Council') and its subsidiaries (the 'Group') the year ended 31 March 2024. The financial statements comprise the:

- Council and Group Movement in Reserves Statement
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 48 including material accounting policy information, and
- Collection Fund and the related note 1

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Council and Group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

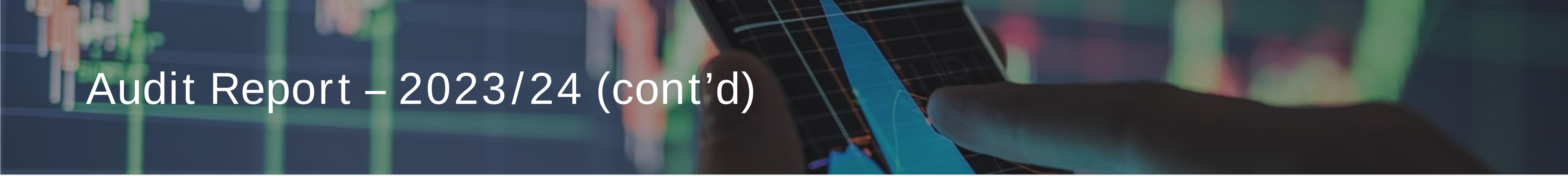
The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for London Borough of Richmond upon Thames was not completed for the reasons set out in the disclaimer of opinion on those financial statements dated 4 December 2024.

Our audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the disclaimer of opinion in the prior year and the scope of our audit work which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances and the closing reserves position.
- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet.
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet.



# Audit Report – 2023/24 (cont’d)

## Disclaimed Audit Report 2023/24

### Our opinion on the financial statements

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

Responsibility of the Executive Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 10, the Executive Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

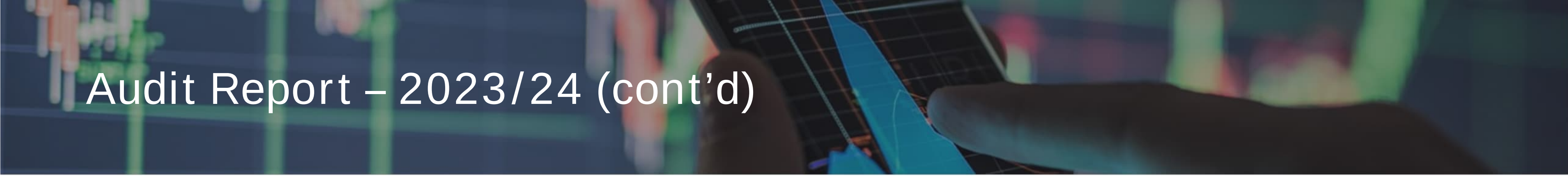
In preparing the financial statements, the Executive Director of Finance is responsible for assessing the Group and the Council’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council’s financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor’s report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.



# Audit Report – 2023/24 (cont'd)

## Disclaimed Audit Report 2023/24

### Our opinion on the financial statements

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether the London Borough of Richmond upon Thames had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Richmond upon Thames put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether the London Borough of Richmond upon Thames had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of the completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of London Borough of Richmond upon Thames. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of London Borough of Richmond upon Thames, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Lazarus (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

25 February 2025

# 05 Audit Differences

# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

Management have adjusted following misstatements which exceeds our performance materiality of £4.8m.

PPE Valuation

- £5.449m increase in the value of Property, Plant and Equipment, where the valuation of Collis School had been understated due to outdated information used by the management valuer, WHE . Combined with other instances identified during our audit work of asset valuation, we have proposed a control recommendation in section 06 of the report.

Disclosures Misstatements:

We have identified following disclosures misstatements which are adjusted by management.

- When agreeing the specific Public Finance Initiative (PFI) asset disclosures to the fixed asset register, we identified that that the disclosure erroneously included land values attributable to the PFI assets for the primary schools. These should not be included within the disclosure as the land is owned by the Council and the PFI assets are specifically the buildings on the sites. This misstatement is therefore limited to the PFI assets disclosure, which reduced the value of these assets by £14.7m. Further, the disclosed balance for payments due under PFI Schemes for residential care homes does not reconcile with the PFI Model 2023/24 and should be reduced by £10.244m.
- In Note 23 of the Financial statements, the movement in business rates appeals provision does not reconcile with the National Non-Domestic Rates (NNDR) 3 return and the increase in provision (description as per FS note) should be reduced by £6.31m and the amount utilised in year should increase by the same amount. However, there will be no net impact on closing provision as this is a disclosure misstatement in provision movement only.
- In Note 33- Officers’ Remuneration-, the disclosed pension amount of Council’s senior employees is understated by £38k. Further, disclosed salary of Executive Director of Children’s Services is understated by £15k.

Impact of uncorrected misstatements are set out on the subsequent page. Details of uncorrected misstatements are reported in Section 01 above.

# Audit Differences (cont'd)

## Summary of unadjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit, Standards & Statutory Accounts Committee and provided within the Letter of Representation:

| | Effect on the current period: | | Net assets (Decrease)/Increase | | | |
|---|---|---|---|---|---|---|
| Uncorrected misstatements 2023/24 ('000) | OCI Debit/(Credit) | Comprehensive Income and Expenditure statement Debit/(Credit) | Assets current Debit/ (Credit) | Assets non-current Debit/ (Credit) | Liabilities current Debit/ (Credit) | Liabilities non-current Debit/ (Credit) |
| Errors | | | | | | |
| Known differences: | | | | | | |
| ► Cut off Error: Understatement of liability and related Expenditure | | 950 | | | (950) | |
| Judgemental differences: | | | | | | |
| ► Overstatement in assets value reflecting the changes from valuation date to year end date | 736 | | | (736) | | |
| ► Asset value where the supporting evidence is not sufficient | 815 | | | (815) | | |
| Projected differences: | | | | | | |
| ► Projected differences where the liability and prepayments were understated | | 1.031 | | 973 | (2,005) | |
| ► Projected differences where the income is overstated | | 765 | | (765) | | |
| Balance sheet totals | | | | (1,343) | (2,955) | |
| Income effect of uncorrected misstatements | 1,551 | 2,746 | | | | |
| Cumulative effect of uncorrected misstatements before turnaround effect | 1,551 | 2,746 | | (1,343) | (2,955) | |

# Audit Differences (cont'd)

## Summary of unadjusted differences (cont'd)

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit, Standards & Statutory Accounts Committee and provided within the Letter of Representation:

| | Effect on the current period: | | Net assets (Decrease)/Increase | | | |
|---|---|---|---|---|---|---|
| Uncorrected misstatements 2023/24 ('000) | OCI Debit/(Credit) | Comprehensive Income and Expenditure statement Debit/(Credit) | Assets current Debit/(Credit) | Assets non-current Debit/(Credit) | Liabilities current Debit/(Credit) | Liabilities non-current Debit/(Credit) |
| Turnaround effect. See Note 1 below. | | | | | | |
| Prior year (20/21) projected misstatement: Late recognition of CIL income | | 2,472 | | | | |
| Prior year (20/21) projected misstatement: errors relating to the cut off and incorrect recognition of REFCUS in the representative sample which has been extrapolated over the whole population | | (3,495) | | | | |
| Prior year factual misstatement (20/21):Overstated 2020/21 other operating income by income which relates to 2019/20 | | 623 | | | | |
| Cumulative effect of uncorrected misstatements, after turnaround effect | 1,551 | **2,346** | | (578) | (2,955) | |

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2024.

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period. The turnaround impact of an uncorrected misstatement refers to the potential consequences and effects that the misstatement could have on the financial statements, Since they have been corrected in prior period, they have a carry forward impact on following years income and expenditure.

# 06 Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control including group-wide or at components.

The table below provides an overview of the ‘high’ ‘moderate’ and ‘low’ rated observations we have from the 2023-24 audit (including IT controls).

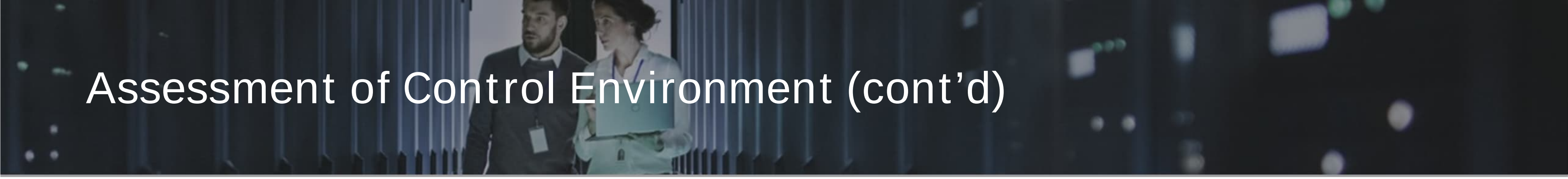
We have identified three new recommendations to management which are identified as result of our detailed testing. We noticed that two recommendation presented as part of FY 21/22 final Audit results report in October 2023 remains relevant for FY23/24.

| | High | Moderate | Low | Total |
|---|---|---|---|---|
| Open at March 2022 | 0 | 0 | 4 | 4 |
| Closed during FY23/24 | 0 | 0 | 2 | 2 |
| New points raised in FY24 | 0 | 3 | 0 | 3 |
| Total open points as at March 2024 | 0 | 3 | 2 | 5 |

Key:

- (Green) A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6–12 months.
- (Amber) Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- (Red) [Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

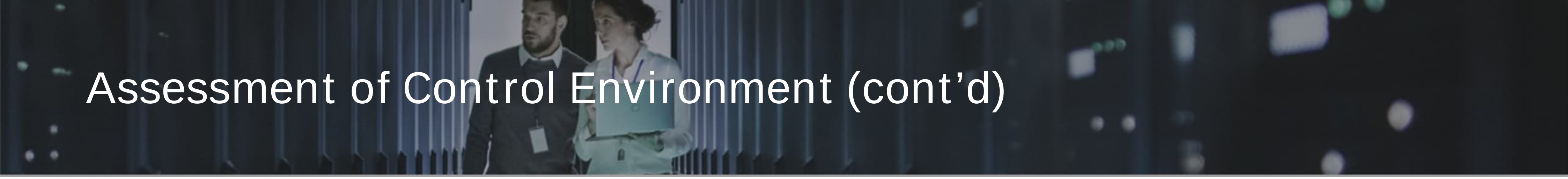
The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.



# Assessment of Control Environment (cont'd)

| Area | Property, Plant and Equipment Valuation |
|---|---|
| Rating | Moderate |
| Observation | we observed instances where incorrect or outdated information was used by the external valuer, WHE, in valuing the properties. We recommend establishing more robust communication between management and the valuer to ensure that the valuation exercise incorporates the most up-to-date information. Furthermore, we recommend a comprehensive review and challenge of the valuer's work to ensure that these instances are identified in a timely manner by management. |
| Impact | The use of incorrect or outdated information can result in the under or overvaluation of assets, leading to inaccuracies in asset valuation and revaluation reserve balances of that year. Incorrect asset valuations can also affect the depreciation charges for subsequent years, as well as the recognition and reversal of revaluation reserves in the following years. |
| Management comment | The Council will continue to work closely with WHE to improve accuracy of the both the data provided for valuations and assumptions made. With the accounts production and audit timelines returning to pre-backlog levels, there will be more time for the Council to scrutinise the valuations and address any concerns. |

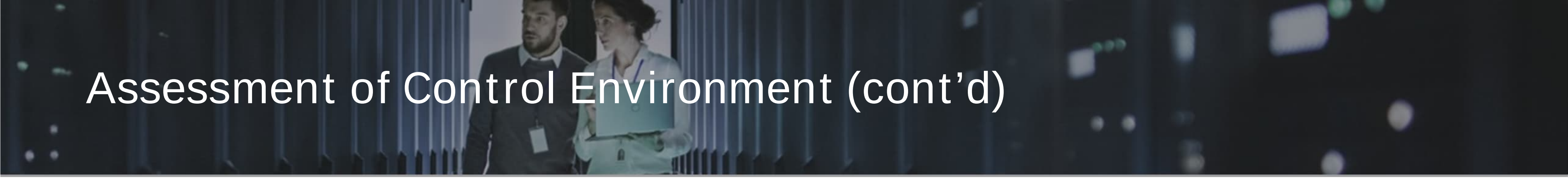
| Area | Property, Plant and Equipment Classification |
|---|---|
| Rating | Moderate |
| Observation | We observed that certain assets listed in the Fixed Asset Register under the category of "Assets Under Construction" have, in fact, reached completion and should consequently be reclassified as operational Property, Plant and Equipment (PPE). We recommend instituting a comprehensive annual review process to ensure that Assets Under Construction are accurately categorized. |
| Impact | The misclassification of assets in the Fixed Asset Register can lead to subsequent inaccuracies in asset valuation and depreciation charge, as assets categorized as "Assets Under Construction" are not subject to year-end valuation and depreciation which may result in distortion of the depreciation expense and surplus/deficit on asset valuation in the financial statements. |
| Management comment | The Council will include this review as part of the closedown timetable, and will question the relevant officers responsible for the various construction projects |



# Assessment of Control Environment (cont’d)

| | |
|---|---|
| Area | Property, Plant and Equipment Additions Cut-off |
| Rating | Moderate |
| Observation | We have identified that for certain assets capitalized as additions during the year, it is challenging to ascertain the specific period to which the cost pertains, thus hindering our ability to confirm that they have been capitalized in the appropriate fiscal year. We recommend the establishment of a robust framework for determining proper capitalization of costs to ensure accuracy and consistency in financial reporting. |
| Impact | The timing of asset capitalization affects the balance sheet and income statement. If costs are capitalized in the wrong period, assets may be overstated or understated in a given fiscal year, leading to inaccurate representation of the financial position. Further, capitalizing cost in the incorrect period can have impact on the year depreciation and surplus/deficit on asset valuation. |
| Management comment | The Council will ensure that this is highlighted as part of the year end instructions going forward, and that sufficient training on capital expenditure accounting treatment is available. |

| | |
|---|---|
| Area | Related Party Transactions (Rolled from PY i.e; 21/22) |
| Rating | Low |
| Observation | Our review of related party transactions revealed that 4 out of 54 Councillors failed to submit an RPT return to the finance department. To address this, we conducted additional audit procedures, including searches through Companies House and media outlets, to identify any undisclosed relationships that might require disclosure. We recommend that the Council enhances its procedures regarding RPTs in future periods to ensure that returns are obtained from all relevant individuals. |
| Impact | The impact of unidentified related parties could be significant and multifaceted. Failure to identify related parties could lead to inaccurate financial statements as transaction many not be recorded or disclosed correctly and results in no-compliance with accounting standards and regulatory requirements. |
| Management comment | The Council will review its processes to ensure all interests are covered and that any non-compliance is escalated in a timely manner. |



# Assessment of Control Environment (cont'd)

| | |
|---|---|
| Area | Infrastructure Assets (Rolled from PY i.e 21/22) |
| Rating | Low |
| Observation | Management will need to ensure they have sufficient infrastructure and accounting records to demonstrate compliance with Code requirements upon the expiration of the Code adaption. This will include ensuring they have a detailed list of the infrastructure assets held, confirmation of their existence and ensure that both the fixed asset register, and accounting records are updated. |
| Impact | Insufficient accounting records can lead to inaccurate infrastructure asset balance and related depreciation can lead to incorrect financial reporting, affecting the overall accuracy of financial statements. |
| Management comment | This will be reviewed well in time for adoption of any new standards. However, we are still awaiting from CIPFA on what exactly will be required. CIPFA are currently recommending an extension of the current temporary solution and are consulting on methods for assessing infrastructure assets. |

# 07 Other Reporting Issues

# Other Reporting Issues

## Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the London Borough of Richmond upon Thames Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

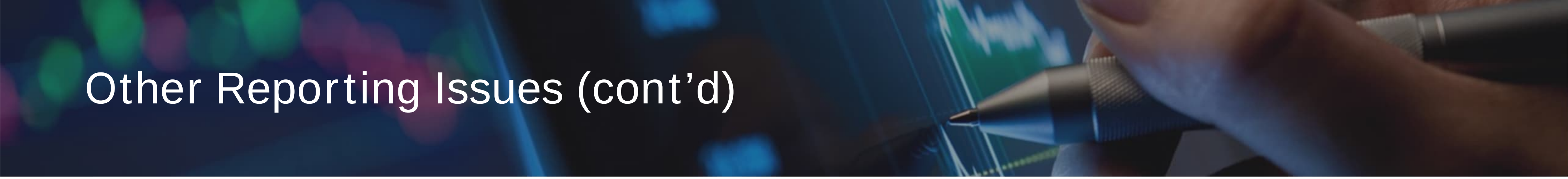
The NAO are yet to release their group instructions for 2023/24. We will perform the procedures required by the NAO on the Whole of Government Accounts submission following the completion of the financial statements audit.

The audit certificate will be issued once this work is complete.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues from the work performed which required us to issue a report in the public interest.



# Other Reporting Issues (cont’d)

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no other matters to report.

# Other Reporting Issues (cont'd)

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 table below.

| Audit procedures | Audit findings and conclusions |
|---|---|
| We performed the following procedures:<br><br>We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has two relevant IT applications for the purposes of ISA 315 risk assessment.<br>• We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.<br>• When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.<br>• We reviewed the following processes for all five relevant IT applications:<br>    • Manage vendor supplied changes<br>    • Manage security settings<br>    • Manage user access<br>    • Manage entity-programmed changes<br>    • Job scheduling and managing IT process | No significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process .We have not tested the operation of any controls through this review. |

# 08 Independence

# Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

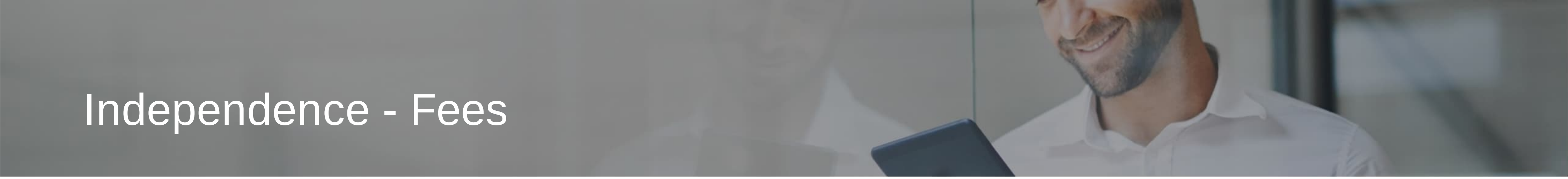
## Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

The next page includes a summary of the fees due for the year ended 31 March 2024 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim for 2021/22 and 2022/23.



# Independence - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the, NAO the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

| | Current Year (2023/24) | Scale fee (2023/24) | Prior Years (21/22 & 22/23) |
|---|---|---|---|
| | £m | £m | £m |
| Total Fee – Code work | 286,165 | 286,165 | 166,962 |
| Total audit | 286,165 | 286.165 | 166,962 |
| Other non-audit services not covered above (housing benefits) | TBC | TBC | TBC - Note 2 |
| Proposed scale fee variation | TBC Note 3 | TBC | TBC- Note 1 |
| Total other non-audit services | TBC | TBC | TBC |
| Total fees | TBC | TBC | TBC |

*All fees exclude VAT*

(1) The 21/22 audit has been completed, and the final fee is being determined by PSAA. The proposed scale fee variation is £109,057. PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) The 2022/23 housing benefit work has just been completed, and a final fee will be determined shortly in discussion with management.

(3) The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments and modified financial statement opinions

# 09 Appendices

# Appendix A – Summary of assurances

## Summary of Assurances

As we have set out in Section 4 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. Other that these inherent brought forward issues, we have completed all planned 2023/24 procedures without significant issue. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

| Account area | Assurance rating | Summary of work performed |
|---|---|---|
| Property, Plant and Equipment (‘PPE’) incl Infrastructure Assets | Substantial | We have completed testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation sample of assets revalued in 2023/24 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council’s right to recognize those assets. Since the assets not revalued in year are immaterial, we have therefore obtained substantial assurance over the closing PPE asset balance. |
| Investment Property | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Long Term Investments | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Long Term Debtors | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Short Term Investments | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Short Term Debtors | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Cash and Cash equivalents | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Creditors (short and long term) | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |

# Appendix A – Summary of assurances (cont'd)

**Summary of Assurances**

| Account area | Assurance rating | Summary of work performed |
|---|---|---|
| Borrowings (short and long term) | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Provisions (short and long term) | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Grants received in advance (Capital and revenue) | Partial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024 but, as we do not have assurance over movements across the disclaimed period, and therefore the opening balance for 2023/24, we do not have assurance over the Grants received in advance balance at 31 March 2024. |
| Local Government Pension Scheme Liability and other long- term liabilities | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Reserves | Limited | We have completed our work on the movements in reserves in 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports. |
| Comprehensive Income and Expenditure Statement Excl Employee Cost | Partial | We have completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate. |
| Employee Costs | Substantial | We have completed or planned procedures (substantive analytical reviews) on employee cost over 2 years i.e. 22/23 and 23/24 and therefore have substantial assurance over employee costs. |
| Collection Fund Statement | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| All Other Disclosures incl Group | Partial | We have completed our planned audit procedures in this area and but, as we do not have assurance over movements across the disclaimed period, and therefore the opening balance for 2023/24, we do not have assurance over the comparatives of disclosures. |
| Group- Orleans House Trust | Substantial | We have completed our full group procedure on Orleans House Trust and have obtained assurance over closing balance as at 31 March 2024. |
| Group – Achieving for Children | Partial | We have completed our planned audit procedures in this area and have obtained assurance partial assurance due to no assurance over the prior year movements. |

# Appendix B – Audit approach update

## Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

# Appendix C – Summary of communications

## Summary of communications

| Date | Nature | Summary |
|---|---|---|
| Throughout the year | Meetings, calls and emails. | The Partner and Senior Manager have held monthly meetings with the Executive Director of Finance throughout the year. |
| Throughout the year | Meetings, calls and emails. | The Senior Manager, Assistant Manager and other members of the engagement team held regular meetings with the Deputy Director of Finance, Chief Accountant and other senior officers throughout the year. |
| July 2024- Audit, Standards and Statutory Accounts Committee | 23-24 Audit Planning Report | The partner in charge of the engagement and senior manager met with the Audit, Standards and Statutory Accounts Committee members chair to discuss focus areas of the audit committee this year. |
| October 2024- Audit, Standards and Statutory Accounts Committee | Draft 23-24 Audit Results/Update Report | The partner in charge of the engagement and senior members of the audit team, met with the Audit, Standards and Statutory Accounts Committee members to discuss the results of the audit procedures performed including review of the financial statements till the date of committee meetings. |
| January 2025- Audit, Standards and Statutory Accounts Committee | Final 23-24 Audit Results Report | The partner in charge of the engagement and senior members of the audit team, met with the Audit, Standards and Statutory Accounts Committee members to discuss the final audit results report. |

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

# Appendix D - Required communications with the Audit, Standards and Statutory Accounts Committee

## Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

| | | Our Reporting to you |
|---|---|---|
| **Required communications** | **What is reported?** | **When and where** |
| Terms of engagement | Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter. | Audit Planning Report presented on 02 July 2024 |
| Planning and audit approach | Communication of:<br>• The planned scope and timing of the audit<br>• Any limitations on the planned work to be undertaken<br>• The planned use of internal audit<br>• The significant risks identified<br>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. | Audit Planning Report presented on 02 July 2024 |
| Significant findings from the audit | • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures<br>• Significant difficulties, if any, encountered during the audit<br>• Significant matters, if any, arising from the audit that were discussed with management<br>• Written representations that we are seeking | Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br><br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |

# Appendix D - Required communications with the Audit, Standards and Statutory Accounts Committee (cont'd)

| | | Our Reporting to you |
|---|---|---|
| Required communications | What is reported? | When and where |
| | • Expected modifications to the audit report<br>• Other matters if any, significant to the oversight of the financial reporting process | |
| Going concern | Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:<br>• Whether the events or conditions constitute a material uncertainty related to going concern<br>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements<br>• The appropriateness of related disclosures in the financial statements | Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br><br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |
| Misstatements | • Uncorrected mis-statements and their effect on our audit opinion, unless prohibited by law or regulation<br>• The effect of uncorrected mis-statements related to prior periods<br>• A request that any uncorrected misstatement be corrected<br>• Material mis-statements corrected by management | Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br><br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |
| Fraud | • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity<br>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist<br>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:<br>a. Management;<br>b. Employees who have significant roles in internal control; or<br>c. Others where the fraud results in a material misstatement in the financial statements. | Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br><br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |

# Appendix D - Required communications with the Audit, Standards and Statutory Accounts Committee (cont'd)

| | | Our Reporting to you |
|---|---|---|
| Required communications | What is reported? | When and where |
| | • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected<br>• Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud<br>• Any other matters related to fraud, relevant to Audit Committee responsibility. | |
| Related parties | Significant matters arising during the audit in connection with the entity's related parties including, when applicable:<br>• Non-disclosure by management<br>• Inappropriate authorisation and approval of transactions<br>• Disagreement over disclosures<br>• Non-compliance with laws and regulations<br>• Difficulty in identifying the party that ultimately controls the entity | Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br><br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |
| Independence | Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.<br>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:<br>• The principal threats<br>• Safeguards adopted and their effectiveness<br>• An overall assessment of threats and safeguards<br>• Information about the general policies and process within the firm to maintain objectivity and independence<br>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. | Audit Planning Report presented on 02 July 2024 Audit, Standards and Statutory Accounts Committee<br><br>Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br><br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |

# Appendix D - Required communications with the Audit, Standards and Statutory Accounts Committee (cont'd)

| | | Our Reporting to you |
|---|---|---|
| Required communications | What is reported? | When and where |
| Group Audits | • An overview of the type of work to be performed on the financial information of the components<br>• An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components<br>• Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work<br>• Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted<br>• Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. | Audit Planning Report presented on 02 July 2024 Audit, Standards and Statutory Accounts Committee<br><br>Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br><br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |
| Written representations we are requesting from management and/or those charged with governance | • Written representations we are requesting from management and/or those charged with governance | Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |
| System of quality management | • How the system of quality management (SQM) supports the consistent performance of a quality audit | Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |
| Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | • Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Interim Audit Results Report presented on 15 October 2024 Audit, Standards and Statutory Accounts Committee<br>Final Audit Results Report presented on 30 January 2025 Audit, Standards and Statutory Accounts Committee |
| Auditors report | • Key audit matters that we will include in our auditor's report<br>• Any circumstances identified that affect the form and content of our auditor's report | Presented in the final version of the Audit Results Report in advance of the 28 February 2025 backstop date |

# Appendix E – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

### Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of London Borough of Richmond ("the Group and Authority") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Authority financial position of London Borough of Richmond as of 31 March 2024 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We understand that the purpose of your audit of our consolidated and parent Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the applicable financial reporting framework for the Group and the applicable financial reporting framework for the Authority that are free from material misstatement, whether due to fraud or error.

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

### Management Rep Letter

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - involving financial improprieties;

;

   - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
   - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
   - Involving management, or employees who have significant roles in internal control, or others
   - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

### Management Rep Letter

3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: xxx
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the applicable financial reporting framework.
6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Authority's assets, nor has any asset been pledged as collateral. All assets to which the Group and Authority has satisfactory title appear in the balance sheets.
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

# Appendix E – Management representation letter (Cont'd)

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

### Management Rep Letter

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings, investment properties, IAS 19 pension liabilities and the NNDR appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates

1. We confirm that the significant judgments made in making the estimates of the valuation of land and buildings, investment properties, IAS 19 pension liabilities and the NNDR appeals provision have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates of the valuation of land and buildings, investment properties, IAS 19 pension liabilities and the NNDR appeals provision.
3. We confirm that the significant assumptions used in making the estimates of the valuation of land and buildings, investment properties, IAS 19 pension liabilities and the NNDR appeals provision appropriately reflect our intent and ability to carry out valuations of land and buildings, investment properties, IAS 19 pension liabilities and NNDR appeals provisions on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuations of land and buildings, investment properties, IAS 19 pension liabilities and NNDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Authority financial statements.

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

# Appendix E – Management representation letter (Cont’d)

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

### Management Rep Letter

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance. except as follows:
   - Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and parent Authority financial statements or as a basis for recording a loss contingency.

I. Going Concern

1. Note 1.2 to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority’s ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

J. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

K. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

L. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement..
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

M. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Authority, and reflected in the consolidated and parent financial statements.

Yours faithfully,

_______________________

(Executive Director of Finance)

_______________________

(Chairman of the Audit,Standards and Statutory Accounts Committee)

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ED None



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