

# The Audit Findings Report for Epsom and Ewell Borough Council

Year ended 31 March 2024

6 February 2025





Audit and Scrutiny Committee  
Epsom and Ewell Borough Council  
Town Hall, The Parade,  
Epsom, Surrey,  
KT18 5BY

6 February 2025

Dear Members of the Audit and Scrutiny Committee,

## Audit Findings Report for Epsom and Ewell Borough Council for the year ended 31 March 2024

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2023.pdf).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

**Matthew Dean**

Director  
For Grant Thornton UK LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other of matters arising from the statutory audit of Epsom and Ewell Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

## Financial Statements

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

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was conducted in a hybrid manner between October 2024 to January 2025. Our findings are outlined on pages 7 to 24. We have not identified any adjustments that have impacted the financial statements, except for some disclosure misstatements, which are documented in Appendix D. However, we have identified four unadjusted misstatements, which management has declined to amend as they are not material to the Accounts, which are also documented in Appendix D.

We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion in Appendix H or material changes to the financial statements, subject to the following outstanding matters;

- Completion and review of our audit work related to outstanding information and queries related to the valuation of investment properties, heritage assets, valuation of net pension liability, allowance for doubtful debt in debtors, short-term creditors and litigations and claims.
- receipt of management representation letter - see appendix G;
- review of the other information published with the financial statements including Annual Governance Statement; and
- review of the final set of financial statements including resolution of the manager and engagement leader review points.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts during February 2024 subject to completion of above.

# 1. Headlines (continued)

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## Value for Money (VFM) arrangements

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

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

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

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements for governance. Our findings are set out in the value for money arrangements section of this report (Section 3) and is detailed in Auditor's Annual Report.

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## Statutory duties

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

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

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

We are in process of completing our work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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## Significant matters

During the audit, we encountered challenges related to receiving cleansed listings for sample selection, and experienced delays in obtaining audit evidence and responses to queries due to capacity challenges within the Council. We recommend that management align its responsibilities to ensure timely provision of audit requests, mitigating potential delays in the audit process. However, we do wish to thank the finance team for all their help and support during the audit.

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# 1. Headlines (continued)

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## National context – audit backlog

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### Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#). This confirms the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. Since the audit of the group and council's previous year's financial statements were completed in time, no impact has been noted due to the backstop. The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026. We are pleased to confirm that we anticipate concluding your audit in advance of the backstop date for current year.

### New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives of the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

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## National context – level of borrowing

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All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Epsom and Ewell Borough Council's borrowing strategy, as outlined in their latest Treasury Management Strategy Statement, emphasizes maintaining an under-borrowed position. External borrowing is limited to investments in commercial properties to secure long-term income streams. As of March 31, 2024, the Council's long-term borrowing position remained at **£64.4 million**, unchanged from the previous year. In 2023/24, long-term borrowing as a proportion of long-term assets stood at 31%. Our review of management's assessment of the recoverability of loan advanced to the subsidiary found no indicators of bad debt. We have also reviewed management's working for impairment of investment in the subsidiary and noted that no impairment is required to be recorded as at the year end.

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## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Scrutiny Committee.

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

### Audit approach

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

- An evaluation of the group and Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

During the IT General Controls and relevant system assessment, the engagement team found that the Fixed Asset Register (FAR) is maintained manually and is the relevant report for our testing in Property, Plant and Equipment (PPE) and Investment Properties (IP) valuation. Consequently, the Real Asset Management system is not relevant for our audit, and understanding its design and implementation is not necessary. As a result, we have updated our audit plan, as communicated to you in July 2024, to reflect this change.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries and testing being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Scrutiny Committee meeting on 6 February 2025, as detailed in Appendix H. Please refer to page 4 for the outstanding work.

#### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. During the course of the audit, our audit team faced challenges this year as detailed on page 5. As a result of these challenges and difficulties we had to carry out additional testing to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements. This will result in additional fees as explained in Appendix E, albeit these balances have yet to be agreed and will need to be agreed by PSAA before they can be billed.



## 2. Financial Statements (continued)



### Our approach to materiality

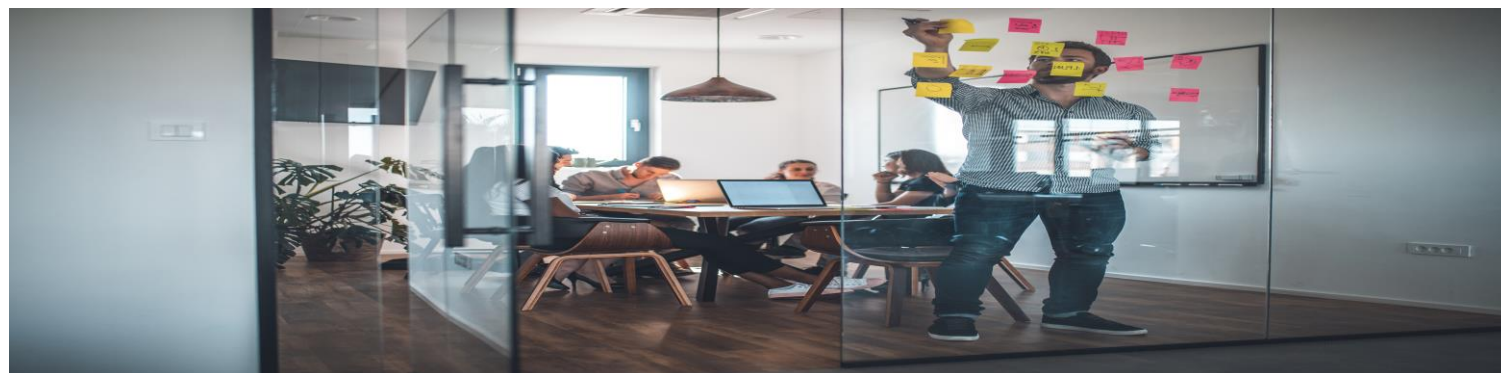
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality percentages have remained the same as reported in our audit plan, but the amounts have been updated based on the draft financial statement for the year ended 31 March 2024.

Where we have set specific materiality levels for senior officers' remuneration and termination benefits disclosures, this has been reduced to £20,000 as compared to the specific materiality of £100,000 as communicated in the audit plan. We revised this as we consider these disclosures to be sensitive for our audit purposes.

We set out in this table our determination of materiality for Epsom and Ewell Borough Council and the group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,040,000	975,000	This benchmark is determined as a percentage of the groups cost of services expenditure in year, which has remained at approximately 2%. Council materiality cannot exceed 95% of group materiality and has been assessed as thus.
Performance materiality	728,000	682,500	Performance materiality is based on a percentage of the overall materiality. This has been assessed at 70% of materiality, which is consistent with prior year.
Trivial matters	52,000	48,800	This balance is set at 5% of overall materiality
Materiality for senior officers' remuneration and termination benefits disclosures	N/A	20,000	We have identified senior officers' remuneration and termination benefits disclosures as area where we will apply a lower materiality level, as they are considered sensitive disclosures.





## 2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals;</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals ;</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• obtained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>During our assessment of the journal process, we identified a control deficiency where some of the journals during the year were posted by the Chief Financial Officer (s151), consistent with the previous year's practice, and were approved by a junior team member. We are of the view that the s151 should not be posting Journals, albeit we note the small size of the finance team which was the likely cause of this issue.</p> <p>Additionally, due to the size of the finance team, there were several instances where journal entries posted by a senior member of the finance team were approved by a junior team member. Although we have not identified any issue from our test of the journal entries sample selected, it is important to note that this practice may compromise the effectiveness of controls over journal entries due to the limited supervisory capacity in the approval process. This could increase the risk of errors, unauthorized or fraudulent entries, and undetected misstatements. Moreover, it may lead to insufficient review and oversight, potentially impacting the accuracy of financial reporting. We have detailed this matter in Appendix B.</p> <p>No other issues have been identified from the work performed in respect of this risk.</p>	Group and Council

## 2. Financial Statements: Significant risks (continued)

Risks identified in our Audit Plan	Commentary	Relevant to
<p><b>Risk of fraud and error in expenditure recognition</b></p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk that the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Tested a sample of payments and invoices received post year end to ensure they have been included in the correct financial year.</li> <li>• inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the value of the accrual was consistent with the value billed after the year; and</li> <li>• investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.</li> </ul> <p>No issues have been identified from the work performed in respect of this risk.</p>	<p>Group and Council</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to
<p><b>Closing Valuation of Land and Buildings (including Investment Properties)</b></p> <p>The council revalue its land and buildings on a rolling five yearly basis and its investment properties on an annual basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>wrote to and discussed with the valuer to confirm the basis on which the valuation was carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;</li> <li>tested, on sample basis, revaluations accounting entries made during the year to see if they had been input correctly into the fixed asset register; and</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul> <p>During our work, we identified that seven investment properties were not formally revalued in the current year. Upon pro-rating the opening value to the overall percentage movement in the value of re-valued investment properties, we did not identify any material adjustment in terms of these properties' valuation. However, in our opinion, all investment properties as at the year-end should be revalued every year in accordance with the CIPFA Code. Therefore, we have raised a control recommendation for this as explained in Appendix B.</p> <p>In one of the Property, Plant, and Equipment samples valued using the EUV method, discrepancies were identified in the floor areas used by the valuer for annual rental calculation compared to the floor areas outlined in the floor plan provided by the estates team. This led to a £218k difference in the valuation as at the valuation date. Although the valuer used estimated floor area in their valuation, management decided not to post the adjustment, deeming the amount immaterial. However, it has been included as an uncorrected misstatement in Appendix D.</p> <p>We are working with the management to complete our outstanding work on Investment Properties and Heritage Assets. Subject to outstanding work and other than the matters described above, we have not identified any other material issues or risks.</p>	<p>Group and Council</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to
<p><b>Valuation of pension fund net surplus</b></p> <p>The Council's pension fund net surplus, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net surplus is considered a significant estimate due to the size of the numbers involved (<b>£2.4 million</b>) in the Council's balance sheet and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> <li>• obtained assurance from the auditor of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> <li>• obtained IFRIC 14 assessment from the actuary and tested its reasonableness to ensure that, no asset ceiling adjustment is required to be adjusted to the fair value of planned asset.</li> </ul> <p>As part of our work we identified the following:</p> <p>The Surrey Pension Fund auditors identified a <b>£14.991 million</b> undervaluation of level 3 investments in the investment reported in the financial statement and the value provided as per the fund manager's confirmation. The calculated difference allocated to the Council is <b>£299,000</b> which the Council opted not to adjust on the grounds of materiality. This has been added to the unadjusted misstatements. Please refer to Appendix D for details.</p> <p>We are working with the management to complete our outstanding work. Subject to outstanding work and other than the matter described above, we have not identified any other material issues or risks.</p>	<p>Council</p>

## 2. Financial statements: Significant risks

Risks identified in Audit Plan	Commentary
<b>Risk of fraud and error in revenue recognition (rebutted significant risk for all income streams)</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240 and the nature of the Council and group revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition;</li> <li>• Opportunities to manipulate revenue recognition are very limited; and</li> <li>• The culture and ethical frameworks of local authorities, including that of the Council, meaning that all forms of fraud are seen as unacceptable.</li> <li>• We do not consider this to be a significant risk for the Council and group. Our assessment from the date of audit plan has not changed for this risk.</li> </ul> <p>As part of our audit work, we have completed the following:</p> <ul style="list-style-type: none"> <li>• Selected a sample of revenue items from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence.</li> <li>• Tested a sample of receipts and invoices raised post year end to ensure they have been included in the correct financial year to gain assurance over completeness.</li> </ul> <p>Our work on revenue recognition is complete. We have not identified any material issues in respect of this risk.</p>

## 2. Financial Statements: new issues and risks

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

Issue	Commentary
<b>IFRS 16 Implementation – Changes in the accounting of assets under a lease agreement.</b>	<p><b>Lessee accounting up to 31 March 2024</b></p> <p>Until March 2024, when a local authority gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.</p> <p><b>Lessee accounting from 1 April 2024</b></p> <p>From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees. This will require management to gather necessary information to make the assessment and judgements will be required in some areas, such as determining what is deemed to be low value lease, and the valuation of the right of use after recognition.</p> <p>In advance of the implementation from 1 April 2024, the Council is expected to:</p> <ul style="list-style-type: none"> <li>• Disclose the title of the standard within accounting policies of the council.</li> <li>• The initial adoption date.</li> <li>• Nature of the changes in accounting for leases.</li> <li>• The estimated impact on the account on first year of implementation.</li> </ul> <p>The Council has not opted for an early adoption of the financial reporting framework set out in IFRS 16 in the financial year ended 31 March 2024, and so we have considered the actions required in the year following the mandatory adoption date of 1 April 2024.</p> <p>As at 31 March 2024, the Council had disclosed the minimum information required for IFRS 16 in the 2023-24 accounts, including the initial estimated impact on first year of implementation, which was considered immaterial by management.</p> <p>We have held discussions with management and considered the current ongoing work in gathering adequate information to ensure the completeness of leases, identification of all options to terminate or extend leases, including assessing other requirements of the new reporting framework.</p> <p>On this basis, we are of the view that as at 31 March 2024, the Council had met the minimum disclosure requirements for IFRS 16. The Council continues to assess the impact to ensure they meet appropriate accounting requirements for the year ending 31 March 2025. We have no issues to report in relation to this new issue.</p>



## 2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p><b>Other land &amp; buildings valuations</b></p> <p>– £62 million</p>	<p>Other land and buildings that were revalued in 2023/24 are not specialised in nature and are required to be valued at existing use in value (EUV). The Council has engaged Wilks Head and Eve to complete the valuation of properties for the year ended as at 31 March 2024 on a five yearly cyclical basis. About <b>34%</b> of total assets were revalued during 2023/24.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of <b>£0.5</b> million for other land and buildings. Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued as at 31 December 2023 (valuation date), considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties. No adjustments was posted by the management for assets revalued during the year between the valuation date 31 December 2023 and the year end 31 March 2024.</p>	<p>The Council has engaged Wilks Head and Eve (WHE) for the valuation of other land and buildings. We have considered and completed the following in the course of our audit:</p> <ul style="list-style-type: none"> <li>• assessment of management's expert;</li> <li>• Impact of any changes on the valuation method;</li> <li>• consistency of estimate against Montagu Evans report;</li> <li>• reasonableness of movement in estimates;</li> <li>• adequacy of disclosure of estimate in the financial statements; and</li> <li>• For assets, valued during the year, we have recalculated the indexation to 31 March 2024 applied by the management from December 2023 using the percentage change as defined in the valuation report and resulted in difference below triviality. We have assessed the rate used to be in line with the BCIS rate. For assets not revalued during the year, we have recalculated the indexation to 31 March 2024 applied by the management using BCIS rate during the year and no material issues were noted.</li> </ul> <p>In one of the Property, Plant, and Equipment samples valued using the EUV method, discrepancies were identified in the floor areas used by the valuer for annual rental calculation compared to the floor areas outlined in the floor plan provided by the estates team. This led to a £218,000 difference in the valuation as at the valuation date. Although the valuer used estimated floor area in their valuation, management decided not to post the adjustment, deeming the amount immaterial. However, it has been included as an uncorrected misstatement in Appendix D.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>

### Assessment

- **[Red]** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **[Amber]** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **[Grey]** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **[Green]** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Other land &amp; buildings valuations</b> – £62 million (continued)	<p>The Council has made an adjustment of <b>£0.2 million</b> for other land and building not revalued during the year representing net revaluation loss between December 2023 and March 2024.</p> <p>After applying indices, depreciation and impairment, and other movements, the total year end net carrying value of Other Land and Buildings was <b>£62 million</b>, which was a net decrease of <b>£1 million</b> from the 2022/23 (£63 million).</p>	<p>We have completed our work for this area. Other than the matters described above, we have not identified any other material issues or risks.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>

### Assessment

- **[Red]** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **{Amber}** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **[Grey]** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **[Green]** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Investment properties valuations - £64.1 million</b>	<p>The Group's investment property portfolio has a value of <b>£115.4 million</b> (<b>£64.1 million</b> for the Council) as at 31 March 2024. All investment properties have been valued at fair value in 2023/24.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of <b>£3.4 million</b> for investment properties. Management has considered the year end value for potential valuation change in the assets revalued at 31 December 2023, considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties. No adjustment was made for investment properties as the movement was assessed by management as immaterial.</p> <p>After applying indices, depreciation and impairment, and other movements, the total year end net carrying value of Investment properties amounting <b>£115.4 million</b> was a net decrease of <b>£0.9 million</b> from 2022/23 (<b>£116.3 million</b>).</p>	<p>The Council has engaged Wilks, Head and Eve for the valuation of investment properties. We have considered and completed the following in the course of our audit:</p> <ul style="list-style-type: none"> <li>assessment of management's expert;</li> <li>Impact of any changes on the valuation method;</li> <li>consistency of estimate against Montagu Evans report;</li> <li>reasonableness of movement in estimates;</li> <li>adequacy of disclosure of estimate in the financial statements; and</li> <li>evaluated classification of investment properties.</li> </ul> <p>During our audit, we found that seven investment properties were not formally revalued in the current year. Upon pro-rating the opening value to the overall percentage movement in the value of re-valued investment properties, we did not identify any material adjustment in terms of these properties' valuation. In our opinion, all investment properties as at the year-end should be revalued every year in accordance with the CIPFA Code. Therefore, we have raised a control recommendation as explained in Appendix B.</p> <p>We are working with the management to complete our outstanding work. Subject to outstanding work and other than the matter described above, we have not identified any other material issues or risks.</p>	<p>Subject to outstanding work, We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>

### Assessment

- **[Red]** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **{Amber}** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **[Grey]** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **[Green]** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment			
<p><b>Net pension surplus asset– £2.4 million</b></p> <p>The Council's net pension surplus asset at 31 March 2024 is £2.4 million (PY – net pension liability of £5.4 million).</p> <p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in financial year 31 March 2022 (representing year zero of triennial valuation). A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>		<p>We have considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> <li>Assessment of management's expert .</li> <li>Assessment of actuary's approach taken and detail work undertaken to confirm reasonableness of approach.</li> <li>Use of PwC as auditors' expert to assess actuary and assumptions made by actuary.</li> </ul>	<p>Subject to outstanding work, We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>			
		Assumption		Actuary Value	PwC range	Assessment
		Discount rate		4.8%	4.80% to 4.85% p.a. for all employers)	●
		Pension increase rate		2.8%	Unadjusted: 2.80% to 2.85% p.a.; Adjusted*: 2.75% to 2.80% p.a. for all employers.	●
		Salary growth		3.8%	Typically, assumption will be between CPI+0.5% and CPI + 2.5% p.a.	●
		Life expectancy – Males currently aged 45/65		21.7 / 22.2	Figures within the IAS19 results schedule may now show individual employer level life expectancies. As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.	●
		Life expectancy – Females currently aged 45/65		24.3 / 26.0		●

## 2. Financial Statements: key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Net pension surplus asset– £2.4 million (continued)</b>	<p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p> <p>The actuary have performed a separate assessment for IFRIC 14 and no impact is required to be recorded in the financial statements.</p>	<ul style="list-style-type: none"> <li>• With regards to the mortality on the PwC report, they are comfortable with Hymans approach to estimating mortality rates. To obtain further assurance, we have done a comparison to the prior year mortality rates and did not note any significant differences.</li> <li>• We have reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>• We have confirmed there were no significant changes in 2022/23 valuation method and IAS19 assumptions are reasonable.</li> <li>• We have reviewed the reasonableness of the Council's share of Local Pension Scheme (LPS) pension assets.</li> <li>• We have reviewed the reasonableness of increase/decrease in estimate</li> <li>• We have reviewed the adequacy of disclosure of estimate in the financial statements</li> <li>• We have reviewed the reasonableness and accuracy of IFRIC 14 assessment prepared by the actuary</li> </ul> <p>The Surrey Pension Fund auditors identified a <b>£14.991 million</b> undervaluation of level 3 investments in the investment reported in the financial statement and the value provided as per the fund manager's confirmation. The calculated difference allocated to the Council is <b>£299,000</b> which the Council opted not to adjust on the grounds of materiality. This has been added to the unadjusted misstatements. Please refer to Appendix D for details.</p> <p>We are working with the management to complete our outstanding work. Subject to outstanding work and other than the matter described above, we have not identified any other material issues or risks.</p>	<p>Subject to outstanding work, We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>

### Assessment

- **[Red]** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **{Amber}** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **[Grey]** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **[Green]** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

In our audit plan, we included Real Asset Management (RAM) as in scope for our ITGC assessment however, following completion of our risk assessment, we determined that this is not a relevant IT application and therefore no ITGC assessment is required.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica Financials	ITGC assessment (design and implementation effectiveness only)	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	None identified.
iTrent	ITGC assessment (design and implementation effectiveness only)	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	None identified.

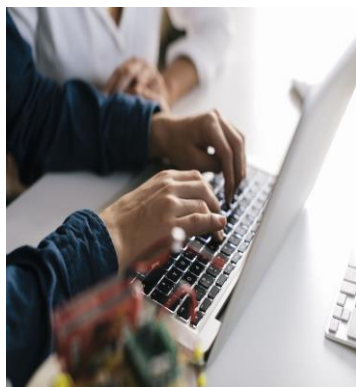
### Assessment

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



## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



Issue	Commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit and Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation will be requested from the Group which is appended in this report.
<b>Audit evidence and explanations</b>	All information and explanations requested from management was provided except as detailed in Section 1 of the report. During the course of the audit, our audit team faced challenges this year as detailed on page 5. As a result of these challenges and difficulties we had to carry out additional testing to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements. This has resulted in an additional fees as explained in Appendix E
<b>Confirmation requests from third parties</b>	<p>We sought external confirmations from relevant banks and financial institutions to support our view of the Group and the Council's year end cash and investment balances. We received positive confirmation for all balances. There are no issues to report.</p> <p>We requested from management permission to communicate directly with those solicitors who worked with the Council during the year. As of January 2025, we are awaiting a response from the solicitors at Guildford Borough Council who provide some legal services to the Council.</p>
<b>Accounting practices</b>	We have evaluated the appropriateness of the Group and the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

## 2. Financial Statements: other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
<p><b>Going concern</b></p>	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council’s financial reporting framework</li> <li>the Council’s system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have noted a significant weakness in value for money arrangement for governance as detailed in the section 3 of this report.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA Group audit instructions. However, this work is not required as the Council did not exceed the threshold.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2023/24 audit of Epsom and Ewell Borough Council in the audit report, as detailed in Appendix H.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2023/24

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

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



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

## Potential types of recommendations

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



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

# 3. VFM: our procedures and conclusions

We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following our work, we have identified a significant weakness as detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make a reference to this significant weakness in arrangements, as required by the Code, see Appendix H.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
<b>Governance</b>	We have reviewed the results of LGA Peer Review, committee papers and have performed interviews with the Monitoring Officer and S151 Officer.	<p>In March 2024, the LGA Peer Review listed decision-making in general as an area that needs to improve. The Review referred to "universal frustration and confusion around the lack of transparency through the decision-making process" and stated that "Some members described a 'culture of secrecy' due to the overuse of pink papers and 'too many decisions being made under part 2 as a media management strategy'. The LGA Peer Review concluded that there is "an immediate need to make it clear and transparent how decisions are made in a committee system at the council and ensure this is communicated to all staff and members to avoid further frustration and confusion". From our own testing, we identified an update to the constitution and scheme of delegation that was not fully discussed in public meetings and not fully transparent.</p> <p>As a result of above, we have raised a significant weakness in respect of the Council's Governance Arrangements.</p>	<p><b>Auditor's response:</b> The Council should develop a clear approach towards transparency. The Council should be mindful of requirements to be open and accountable.</p> <p><b>Management's response:</b> SLT believe the Council is transparent in its reporting and through Committees. The issue referred to was one which was subject to advice and was not suitable for public discussion. The rationale for all items that are part 2 items is explained in the public documents and a vote is taken at committee to move into a part 2 meeting.</p>

In addition to the above, we have also raised five improvement recommendation for governance and four improvement recommendations for financial stability. Please refer to our Auditors' Annual Report (AAR) for details, which is included as a separate item on the Agenda.

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## 4. Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

### Transparency

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



## 4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

In this context, as part of our assessment of our independence we disclose the following to you:

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

# 4. Independence considerations

## Audit and non-audit services

Details of audit fees charged are detailed in Appendix E.

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

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Housing Benefit Assurance Process	45,460	<p>Self-interest (because this is a recurring fee)</p> <p>Self-review (because GT provides audit services)</p>	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £45,460 in comparison to the total fee for the audit of £152,455, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.</p>

## Transparency

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

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

# A. Communication of audit matters to those charged with governance

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

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

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

## Respective responsibilities

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

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

## Distribution of this Audit Findings Report

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

## B. Action Plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p><b>Journal entries approval process</b></p> <p>During our assessment of the journal process, we identified that some of the journals during the year were posted by the Chief Financial Officer (S151), consistent with the previous year's practice, and were approved by a junior team member. Additionally, due to the size of the finance team, there were several instances where journal entries posted by a senior member of the finance team were approved by a junior team member. Although we have not identified any issue from our test of the journal entries sample selected, it is important to note that this practice may compromise the effectiveness of controls over journal entries due to the limited supervisory capacity in the approval process. This could increase the risk of errors, unauthorized or fraudulent entries, and undetected misstatements. Moreover, it may lead to insufficient review and oversight, potentially impacting the accuracy of financial reporting.</p>	<p>We recommend that journal entries posted by a team member be reviewed by a senior team member prior to approval.</p> <p><b>Management response</b></p> <p>Within the new corporate structure, the Section 151 officer is now also the Director of Corporate Services. This wider remit will mean that the Section 151 officer will not have time to personally post journals and will limit his remit to reviewing these journals.</p>
<p>● Low</p>	<p><b>Completeness of related parties register</b></p> <p>During our audit of the related parties' disclosure, we perform independent check for related parties of the councillors using a Companies House Search to identify any related parties not included in the management's related party register. We found that one related party for one Councillor was missing from the register. As part of ensuring the completeness of related parties, management should have a control that should detect such omissions.</p>	<p>We recommend that management implement controls to verify the completeness of parties disclosed by the Councillors in their register of interest. This should involve conducting an independent check to ensure the accurate capture of all related parties in their records.</p> <p><b>Management response</b></p> <p>The legal duty for ensuring that elected Members declare their interests and keep that up to date throughout their term lies upon each elected Member. This is clear within the wording of the Member Code of Conduct adopted by the Council, which in turn adopted the LGA Model Code. They are reminded of this when they are provided training as part of their induction shortly after their election and this is repeated after each 4-year term. The recommendation is disproportionate to the identified risk and where no material consequences have been evidenced.</p> <p>The Council does not consider the additional resources required to adopt the recommendation to be either essential or proportionate, particularly as Council budgets and resources are under significant pressure.</p>

### Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

## B. Action Plan – Audit of Financial Statements

We have identified 3 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Low</p>	<p><b>Investment properties formal valuation</b></p> <p>During our audit, we found that seven investment properties were not formally revalued in the current year. Upon pro-rating the opening value to the overall percentage movement in the value of re-valued investment properties, we did not identify any material adjustment in terms of these properties' valuation. In our opinion, all investment properties as at the year-end should be revalued every year in accordance with the CIPFA Code.</p>	<p>We recommend that management should ensure all investment properties as at year end are formally revalued by the valuer as part of the formal valuation exercise.</p> <p><b>Management response</b></p> <p>While management recognises the provision within the CIPFA code, the properties in question are relatively small and this does not result in a material misstatement to the accounts. In light of the fact that these properties are not material, the Council does not consider the cost of the yearly valuation essential, particularly as Council budgets are under significant pressure, and will seek to review the valuation of these properties over a longer time period.</p>

### Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice



## C. Follow up of prior year recommendations

We identified the following issues in the audit of Epsom and Ewell Borough Council's 2022/23 financial statements, which resulted in 2 recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations as follows:

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Completeness of lease register</b></p> <p>The Council does not include immaterial leases within the lease register provided to the engagement team and although new leases were disclosed, it raises questions over the completeness of other listings moving forward.</p> <p>We suggest the Council consider including all leases on their lease register regardless of the value. This will serve as supporting evidence to the external auditors that the cumulative impact of leases would not be material and therefore fine to not be disclosed. In preparation for the IFRS 16 that will be effective from 1<sup>st</sup> April 2024, the Council should be able to demonstrate completeness of all leases considered for IFRS 16 assessment as a starting point.</p>	<p><b>Management's response:</b></p> <p>A separate lease register is now maintained for immaterial leases.</p>
✓	<p><b>Valuation of Other Land and Buildings</b></p> <p>Paragraph 4.1.2.39 of the Code states the 'current value of land and buildings is usually determined by appraisal of appropriate evidence that is normally undertaken by professionally qualified valuers'. This is supported by Para 2.1.2.64, which states that 'For non-specialised assets, current value should be interpreted as existing use value. In UK VPGA 6 of the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017: UK national supplement, this is market value based on the assumption that property is sold as part of the continuing enterprise. This requirement is met by providing an existing use valuation in accordance with UK VPGA 6 and UK VPGA 4 of the RICS Valuation – Global Standards 2017: UK national supplement.</p> <p>The Council has engaged Wilks, Head and Eve (WHE) to provide these valuations and these have been provided to 31 December 2022. The Council has then performed indexation to adjust for the movement between January and March using WHE's indices from their market review report. Whilst this helps ensure the values in the Accounts remain accurate and up-to-date, as the calculation has not been performed by qualified valuers then it is not in line with the requirements of the Code. We would encourage the Council to either adjust the formal valuation date to the 31<sup>st</sup> of March, or ask WHE to provide the indexation as part of their report, which would then satisfy the requirements of the Code.</p> <p>In our view, indexation is not in accordance with the Code and we suggest that although we did not note material differences should valuation is completed as at 31 March 2023, the valuation exercise should be completed as at end of reporting period (31 March) as per the Code, or ensure any indexation is performed as part of the formal valuation exercise.</p>	<p><b>Management's response:</b></p> <p>In 23/24, we shared our calculation with WHE which is based on indices obtained from WHE's market appraisal report. WHE have reviewed it, and no changes have been identified.</p>

### Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

## Misclassification and disclosure changes

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

Disclosure omission	Detail	Impact on the Accounts	Adjusted?
<b>Note 18 – Financial Instruments</b>	Investment in the Subsidiary	The investment in the subsidiary is not accounted for under IFRS 9, therefore it should be removed from the financial instruments note and presented separately. Additionally, the finance lease amount for the prior year (22/23) within the note is incorrect due to a typographical error. The figure should be £1,869k instead of £1,935k.	✓
<b>Note 29 Audit Costs</b>	Audit Fees of £145k	This note has been updated to reflect the additional costs proposed for 2023-24, along with the costs of certifying the Housing Benefit Subsidy Return in 2021-22	✓
<b>Note 31 Finance and Operating Leases</b>	Total Operating Leases of £157.351 million	The maturity analysis in the note was updated to rectify the total of operating leases to <b>£157.351 million</b> , as there was an arithmetical sign error in the management's working.	✓
<b>Note 33 Contingent Liabilities and Assets</b>	Disclosure of a potential Contingent Liability	The note in the accounts has been updated to include the contingent liability amounting to £10 million related to the upgradation of Energy Performance Rating (EPC) of the property, as disclosed in the subsidiaries' accounts.	✓
<b>Minor Disclosure Issues</b>	Note 1 – Accounting Policies Note 3 – Critical Judgements Note 4 – Assumptions made about the future Note 8 – Expenditure and Income analysed by Nature Note 15 – Property, Plant and Equipment Collection Fund Group Accounts	A number of other minor disclosure amendments have been processed in the areas mentioned. None of these are individually significant enough to warrant separate disclosure.	✓

# D. Audit Adjustments (continued)

## Impact of unadjusted misstatements

The table below provides details of adjustment identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
<p><b>Property, plant and equipment valuation</b></p> <p>In one of the Property, Plant, and Equipment samples, which is valued using the EUV method, discrepancies were found in the floor areas used by the valuer for annual rental calculation, as compared to the floor areas outlined in the floor plan provided by the estates team. This resulted in a £218k difference in the valuation as at the valuation date. Management has decided not to post the adjustment, considering that the valuer used estimated floor area in their valuation. We have therefore included this in our unadjusted misstatements.</p>	N/A – no impact on CIES	Dr Revaluation reserve £218  Cr Property, plant and equipment (218)	N/A	The Council has not adjusted as this is below materiality.
<p><b>EPPIC investment property rental income</b></p> <p>Upon reviewing the rental income contracts for EPPIC's two properties, Arlington Square in Bracknell and Chelton Centre in Marlow, we identified that income was inaccurately under-recorded due to an error in the management's calculation for recognizing income from the payments according to the contracts on a straight-line basis. This resulted in the income in consolidated financial statements being understated by £189k which the Council opted not to adjust on the grounds of materiality. We have therefore included this in our unadjusted misstatements.</p>	Cr. Investment Income – (189)	Receivables – 189	(189) – decrease in total net expenditures	The Council has not adjusted as this is below materiality.
<p><b>Annual holiday accruals</b></p> <p>This relates to the balance of leave accruals at the end of the financial period. Management explained that they do not accrue for this leave based on immaterial value to their financial statement users. We have therefore included this in our unadjusted misstatements.</p>	Dr Employee expenditure – 105	Cr Accruals – (105)	105 – increase in total net expenditures	The Council has not adjusted as this is below materiality.

## D. Audit Adjustments (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
<p><b>Overstatement on the pension fund liability</b></p> <p>The Surrey Pension Fund auditors identified a £14.991 million undervaluation of level 3 investments in the investment reported in the financial statement and the value provided as per the fund manager's confirmation. The calculated difference allocated to the Council is £299k which the Council opted not to adjust on the grounds of materiality. We have therefore included this in our unadjusted misstatements.</p>	Cr Remeasurement of net pension liability (OCI) – (299)	Dr Pension fund liability – 299	(299) – decrease in total net expenditures	The Council has not adjusted as this is below materiality.
<b>Net impact</b>	<b>383 – decrease in Group CIES (net expenditure)</b>	<b>383 – increase in net asset</b>	<b>383 – decrease total net expenditure</b>	

## E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	144,925	144,925
Increased audit requirements of revised ISAs 315	7,530	7,530*
Additional audit costs due to VFM issue, delay in receipt of audit evidence and quality of listings	-	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£152,455</b>	<b>£152,455</b>

\* Fees subject to PSAA agreement

Non-audit fees for other services	Proposed fee	Final fee
<b>Audit Related Services</b>		
Housing benefit subsidy claim	£35,640	£45,460
<b>Total non-audit fees (excluding VAT)</b>	<b>£35,640</b>	<b>£45,460</b>

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

Reconciliation of audit fees note	Audit Costs (Note 29) £000
Fees per draft accounts	208
Audit findings report	
• Audit fee (including additional fees subject to agreement with PSAA)	152
• Housing benefit subsidy claim certification	45
Reconciling items:	
• Housing benefit subsidy claim certification 2020/21 adjustment	8
• Excess accrual in accounts for additional audit fees	3
<b>Difference</b>	<b>-</b>

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

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

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

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

**A summary of the impact of the key changes on various aspects of the audit is included below:**

**These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.**

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

# G. Management Letter of Representation

Dear Grant Thornton UK LLP

**Epsom and Ewell Borough Council  
Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council and its subsidiary undertaking, Epsom and Ewell Property Investment Company Limited for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the [group and ]Council has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

# G. Management Letter of Representation (continued)

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

RAAC - we have considered the impact of reinforced autoclaved aerated concrete (RAAC) on our financial statements. We have no knowledge of any material events or circumstances that would require adjustments to be made to our financial statements.

Equal Pay - we have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

xvi. The assumptions used in the impairment model provided to you for investment in subsidiaries are reasonable.

## Information Provided

xvii. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.



# G. Management Letter of Representation (continued)

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

## Approval

The approval of this letter of representation was minuted by the Council's Audit and Scrutiny Committee at its meeting on 6 February 2025.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

# H. Audit opinion

Our audit opinion is included below. We anticipate we will provide the group with an unmodified audit report and have reported 1 significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources as required by the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and supporting guidance.

## Independent auditor's report to the members of Epsom and Ewell Borough Council

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Epsom and Ewell Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the group and the Authority 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

## H. Audit opinion (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer.

## H. Audit opinion (continued)

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the 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 Chief Finance Officer 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 Chief Finance Officer is responsible for assessing the Authority's and the group'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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003) .

We enquired of management and the Audit and Scrutiny Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition. We determined that the principal risks were in relation to large and unusual journal entries made during the year and accounts production stage and material accounting estimates subject to significant management judgement, a high level of estimation uncertainty and high sensitivity to small changes in assumptions. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on testing unusual journal entries made during the year and accounts production stage for appropriateness and corroboration,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of property, plant and equipment, investment properties and defined benefit pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

## H. Audit opinion (continued)

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the significant accounting estimates related to property, plant and equipment valuations, investment properties valuations and pension fund liability valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - o the provisions of the applicable legislation
  - o guidance issued by CIPFA/LASAAC and SOLACE
  - o the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

#### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority 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 respect of the above matter except on 6 February 2025 we identified a significant weakness in the Council's governance arrangements. In March 2024, the LGA Peer Review listed decision-making in general as an area that needs to improve and concluded that there is an immediate need to make it clear and transparent, how decisions are made in a committee system at the council and ensure this is communicated to all staff and members to avoid further frustration and confusion. During our testing we also identified an update to the constitution and scheme of delegation that was not fully discussed in public meetings and not fully transparent. We recommended that the Council should develop a clear approach towards transparency and be mindful of requirements to be open and accountable.

#### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## H. Audit opinion (continued)

### Auditor's responsibilities for the review of the Authority's arrangements for securing 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 to be satisfied that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Epsom and Ewell Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Matt Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

