

Audit Completion Report

Durham County Council - Year ended 31
March 2022

November 2022



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Audit Committee
Durham County Council
County Hall
DH1 5UQ

November 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 28 February 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which were:

- valuation of property, plant and equipment;
- net defined benefit liability valuation;
- management override of controls; and
- revenue recognition.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements (unadjusted misstatements). Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

At the time of preparing this report the significant matters remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed draft audit opinion is included in the draft auditor's report in Appendix B, Page 7 of this report highlights a national issue in relation to infrastructure assets. We cannot complete our work in this area or issue our audit opinion until CIPFA provide a resolution for this issue.



Value for money arrangements

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Details of our work are provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission for 2021/22. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no objections or questions from local electors.

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02




Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Infrastructure assets		<p>As previously reported, CIPFA highlighted a technical accounting issue relating to infrastructure assets, principally for highways authorities.</p> <p>Historically accounting for infrastructure has not been an area of risk, because a historical cost basis is used in accounting for these assets. However, concerns have been raised that some authorities are not applying component accounting requirements. CIPFA’s Local Authority Accounting Code Board (CIPFA LASAAC) is currently consulting with Local Authorities and Auditors, it is our understanding a proposed resolution will be confirmed in early 2023.</p> <p>Any changes will require additional audit work and has therefore resulted in a delay to our 2021/22 audit being completed. We are working with management to resolve this issue as soon as possible.</p>
Whole of Government Accounts (WGA)		<p>We have not completed our 2020/21 or 2021/22 work in this area. We are waiting for clarification from the NAO in regard to 2020/21’s audit requirements and Group Instructions to be issued for 2021/22. We cannot start this work until this information is received. We will work with management to complete this work as soon as possible.</p>
Audit closure procedures		<p>We have several audit closure procedures to complete. These include reviewing the final version of the Statement of Accounts, consideration of post balance sheet events and completing our final quality review procedures. This can only be completed upon resolution of the infrastructure issue noted above.</p>

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.



03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £28.971m using a benchmark 2% of Gross Revenue Expenditure (at Surplus/deficit on Provision of Services level). Our final assessment of materiality, based on the final financial statements and qualitative factors, is £30.485m using the same benchmark.

Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. There are no changes to our or management's use of experts:

Item of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt)	NAO's consulting partner (PWC)
Property, plant and equipment valuation	In-house valuer (with external support commissioned)	We take into account any relevant information which is available from third parties
Financial instrument disclosures	Link Asset Services (formerly Capita)	No expert required.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

We have not identified any relevant service organisations.



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by carrying out audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger (selected based on our fraud risk characteristics) and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>Our work has provided the required assurance and we have no matters to report.</p>



4. Significant findings

Revenue recognition	Description of the risk
	<p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal for all income streams in 2021/22. We have identified income from fees and charges and other income as the key areas for audit testing.</p> <p>This did not imply that we suspected actual or intended manipulation but that we continued to deliver our audit work with appropriate professional scepticism.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by performing the following audit procedures:</p> <ul style="list-style-type: none"> identifying revenue (non grant income) items recorded around year end to ensure they had been recognised in the appropriate year; testing year end receivables; and obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger.
	<p>Audit conclusion</p> <p>Our work has provided the required assurance and we have no matters to report.</p>

Valuation of property, plant and equipment (PPE)	Description of the risk
	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE). Although the Council employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE as a result of the significant judgements and number of variables involved. We have therefore identified the revaluation of PPE to be an area of risk.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by performing the following audit procedures:</p> <ul style="list-style-type: none"> considering the Council's arrangements for ensuring that PPE values are reasonable; challenging the reasonableness of the valuations provided by the Council's valuer using other sources of data; assessing the competence, skills and experience of the valuer and the instructions issued to the valuer; and performing audit procedures on individual assets valued in the year to ensure the basis of valuations is appropriate.
	<p>Audit conclusion</p> <p>Our work has provided the required assurance and with the exception of issues highlighted in sections 5 and 6, we have no other matters to report.</p>

4. Significant findings

Net defined benefit liability valuation	Description of the risk
	<p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	How we addressed this risk

We addressed this risk by performing the following audit procedures:

- evaluating the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and
- considering the reasonableness of the actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office.

Audit conclusion
<p>Our work has provided the required assurance and with the exception of the issue reported in section 6 of this report we have no other matters to report.</p>



4. Significant findings

Key areas of management judgement

Debtors impairment allowance	Description of the management judgement The Council has disclosed its impairment of debtors allowance as an area of estimation uncertainty.
	How our audit addressed this area of management judgement We addressed this judgement by : <ul style="list-style-type: none">critically reviewing the Council's calculation of its impairment of debtors allowance; andassess whether disclosures are in line with the Code of Audit Practice.
	Audit conclusion Our work has provided the required assurance.



4. Significant findings

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council’s on 23 June 2022 and were of a good quality.

Significant matters discussed with management

Group Accounts

The 2021/22 Code of Practice on Local Authority Accounting, paragraph 9.1.1.7 states:

‘Authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered not material.’

The Council has assessed its subsidiaries, associates and joint ventures and considers them to be not material either qualitatively or quantitatively. We have considered management’s judgement and are satisfied that the accounts are not materially misstated as a result of this judgement. In the coming years, the Council will need to ensure it reviews this assessment and updates it for any significant changes.

Significant difficulties during the audit

During the audit we did not encounter any significant difficulties and we have had the full co-operation of management.



4. Significant findings

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

No such objections have been raised.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	



5. Internal control recommendations

Deficiencies in internal control – Level 1

1, Description of deficiency

No segregation of duties within the Oracle change environment. Same group of IT personnel from Finance Team have both access to develop and implement changes to Oracle.

Potential effects

Data integrity and functionality provided by the application may be compromised. Unauthorised or inappropriate changes may be migrated to production environment, which may compromise system stability. This may further lead to system downtime and business disruption.

Recommendation

Management should ensure that the access to production, test and development environments is segregated. IT access to production databases should be restricted and monitored on regular basis.

IDs should be created for the programmers without having access to the production environment. Changes should be implemented in the production environment after testing by the person independent of development responsibilities to prevent any unauthorized changes being made.

A Segregation of Duties (SOD) matrix should also be maintained which lists the users and their profiles. The matrix should be updated and reviewed on periodic basis.

Management response

All changes are documented and reviewed independently of the developer by the Principal Accountant (Systems) prior to implementation and depending upon the change, the required action may be and is in many cases undertaken by another member of staff such as the applications DBA. However, to address the weakness identified changes will be applied to production by a staff member other than by the person who developed/requested the change. This will be recorded on the change request register. Developers require production access to assist the support team with debugging issues and working with support partners running scripts etc.

A SOD matrix will be created and maintained setting out users and the duties they are responsible for.



5. Internal control recommendations

Deficiencies in internal control – Level 2

2. Description of deficiency

IT Auditors were unable to obtain a formally documented and approved policy/procedure documents around the controls for change management, user access management, password management, backup and restoration and incident management.

Potential effects

Lack of standardised procedures may weaken the overall control environment

Recommendation

Management should define formal policies and procedures covering the key IT process areas in the organisation. The formalised processes and procedures should be implemented to standardise operations and monitored to identify any deviations.

A periodic review of these documents should be performed (at least once a year) to ensure their alignment to the management's intent and industry best practices.

Management response

Agreed, formal policy documents will be created and maintained.

3. Description of deficiency

As part of our work on property valuations, we noted not all capital additions had not been input to the asset register at the time of the final accounts preparation, which did not enable a full reconciliation between the GL and asset register to be carried out as is normally expected.

This is considered to be a 'key control' and should be completed at the year-end as part of the accounts preparation process.

Potential effects

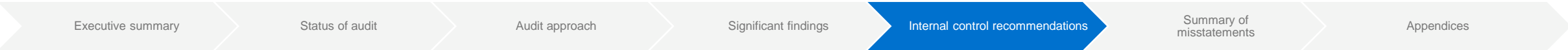
There could be material omissions from the land and buildings balance in the financial statements, either as a result of additional not being capitalised or not being included as part of the valuations process.

Recommendation

Management should ensure arrangement and procedures are in place to ensure this key control is completed and reviewed before final accounts are prepared.

Management response

Post Audit groups have been formulated to work on a partnering basis approach between CPAL and Finance. Capital addition processes are included in the scope of the work



5. Internal control recommendations

Deficiencies in internal control – Level 2

4, Description of deficiency

As a result of the number of findings from our PPE valuations testing we recommend enhancement of controls relating to the PPE valuations, for example:

- protecting formulae cells on the DRC calculation workbooks so the entries cannot be overwritten;
- ensuring entries for factors such as BCIS figures and professional fees can be selected from standard listings within the DRC calculation workbooks;
- overall quality check on the valuation workbooks to identify any incorrect formulae or rogue entries;
- detailed review of capital spend during the year to ensure this is allocated to the correct asset and sub-element on the asset register;
- ensuring a full listing of capital spend is provided to the valuation team in advance of any revaluations as at 31st March; and
- inputting capital spend / additions to the asset register at the year-end prior to the revaluation entries.

Potential effects

These deficiencies could result in material errors relating to property valuations.

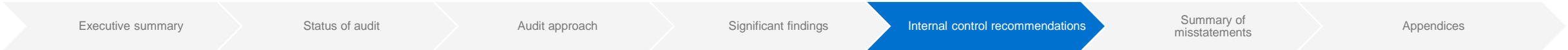
Recommendation

Management should ensure there are data quality checks and controls in place, to ensure the review the inputs and outputs of the information used in property valuations.

Management response

Post Audit groups have been formulated to work on a partnering basis approach between CPAL and Finance.

Processes, working documents and system reviews, updates and controls are included within the scope of this work



5. Internal control recommendations

Follow up on control deficiencies identified in previous year

Description of deficiency

Our consideration of related party declarations included consideration of Members' declarations.

We noted in some instances that declarations had not been received for the year ended 31 March 2021.

There are compensating controls in the Council constitution which sets out the requirements of Members regarding declarations of interest, including declarations where necessary at Council meetings. In particular the Constitution makes clear that 'Members must ensure they keep the register updated and acknowledge that its contents will be published on the Authority's website and will be open to the public to inspect.' We would consider it best practice for Members to make an annual declaration.

Potential effects

Declared interests are not captured or up to date. This increases the risk the related party disclosures are inaccurate and potential conflicts of interest are not identified. This could have an impact on public perception of transparency.

Recommendation

The Council should ensure all Members make a declaration at least annually.

2021/22 Update

No issues noted in the current year.

Description of deficiency

As part of our testing of property plant and equipment we test the existence of assets to obtain audit evidence about ownership. We selected a sample of infrastructure assets from the Council's fixed asset register. For one item the terminology in the fixed asset register did not make it clear what the asset was (CIF Speed Visor Projects 09/10) and, given the asset was purchased in 2009/10 financial year, the records to identify the asset were not available. As a result the management was unable to provide sufficient evidence of what this asset was and therefore that it still existed and was still owned/used by the Council. The net book value of this asset was £0.0008m at 31 March 2021. We have extrapolated the error to assess the impact on the accounts and the result is a non material and trivial potential misstatement of £0.181million. We have raised the matter as a deficiency as the Council should ensure assets reflected in the Balance Sheet still exist and are operational as at 31 March.

Potential effects

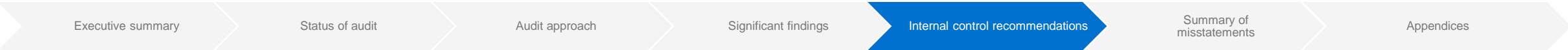
The Council recognises in its Balance Sheet assets it no longer exists or it no longer uses.

Recommendation

Management should review the infrastructure asset register and in particular historic assets and confirm they still exist and are still operational.

2021/22 Update

No issues noted in the current year.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the audit, above the trivial threshold for adjustment of £0.915m. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the audit.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Unusable Reserves - Revaluation Reserve			1,346	
	Cr: PPE - Surplus Assets				1,346
	From our testing of property valuations, we noted one asset had the incorrect number of units and housing mix used in the development appraisal to derive the residual land value, resulting in a £76k overstatement of valuation. The extrapolated error of £1,346k is above trivial but not material. The issue is unlikely to be replicated across the whole population. There is uncertainty but the extrapolation is not considered to be indicative of a risk of material error.				
2	Dr: Other Operating Expenditure (loss on disposal of non-current assets)	1,411			
	Cr: PPE - Land & Buildings				1,411
	Dr: Unusable Reserves - Revaluation Reserve			714	
	Cr: Unusable Reserves - Capital Adjustment Account				714
	From our testing of property valuations, we noted Brandon Community Primary converted to an academy during 2021/22, however, the land element was omitted from PPE disposals and the loss to the CIES (£1,411k net book value) and the revaluation reserve balance for this asset had also not been written out (£714k).				

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Unadjusted misstatements - continued

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	Dr: Unusable Reserves - Revaluation Reserve / Capital Adjustment Account				1,781
	Cr: PPE - Land & Buildings			1,781	
<p>From our testing of twenty one PPE land assets linked to buildings revalued on an DRC basis, we identified three instances where the actual area was used in the calculation rather than the lower modern equivalent asset area as a result of a formula error in the valuation spreadsheet. A 100% check carried out by the valuation team, which we have checked for reasonableness, identified a further three land assets with the same formula error. As a result, PPE asset values are overstated by £1,781k. The accounts have not been amended for this.</p>					
4	Dr: PPE - Land & Buildings			1,577	
	Cr: Unusable Reserves - Revaluation Reserve / Capital Adjustment Account				1,577
<p>From our testing of forty PPE building assets revalued on an DRC basis, we identified one instance where the modern equivalent asset area of the school building had been incorrectly apportioned over all building areas in the calculation, including the nursery, due to a formula error in the valuation spreadsheet. A 100% check carried out by the valuation team, which we have checked for reasonableness, identified a further four building assets with the same formula error. As a result, PPE asset values are understated by £1,577k. The accounts have not been amended for this.</p>					
5	Dr: Other Long Term Liabilities - Pensions			4,200	
	Cr: Unusable Reserves - Pensions Reserve				4,200
<p>As part of our testing of the net pension liability, we noted the Pension Fund auditor's letter included unadjusted differences totalling £6.5m. The items referred to are differences between the value of investments in the Fund's draft financial statements and those provided by fund managers, the values in the draft financial statements being less than those provided by fund managers. This is not material for DCC in total, noting that DCC's share of the unadjusted difference based on the 64.62% share of assets noted above would be c£4.2m.</p>					

6. Summary of misstatements

Unadjusted misstatements - continued

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
6	Dr: Unusable Reserves - Revaluation Reserve / Capital Adjustment Account			2,224	
	Cr: PPE - Land & Buildings				2,224
<p>From our testing of forty PPE building assets revalued on an DRC basis and twenty-one linked land assets, we identified a number of issues which, although trivial individually, have a total impact above trivial but below material. In all cases, a 100% check has been carried out by the valuation team, which we have checked for reasonableness, to identify the total actual error. In summary, these issues included:</p> <ul style="list-style-type: none"> - BCIS data as at 31 March 2021 instead of 31 March 2022 used for two assets on the same site - Incorrect % used for professional fees for three assets as the calculation was not linked to the standard table of fees in the valuation workbook - Incorrect land value per hectare used for one asset as applied the wrong location within the county - Incorrect base area used in the modern equivalent asset calculation for all eight buildings within a secondary school with a sixth form - Incorrect BCIS figures for a nursery used in the calculations for four primary school buildings - A -10% economic adjustment to depreciation applied to one asset in error. <p>As a result of these errors, the combined impact is that PPE asset values are overstated by £2,224k. The accounts have not been amended for this.</p>					
Total unadjusted misstatements		1,411	-	11,842	13,253

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6. Summary of misstatements

Unadjusted misstatements – prior year misstatements, that impact on 2021/22

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cost of services then Capital Adjustment Account / Revaluation Reserve		874	
	Cr: PPE - Land & Buildings			874
	Our testing of a sample of four PPE assets revalued during the year on an 'existing use value' (EUV) basis identified errors in the rates used within the calculations for two of these assets, resulting in an overstatement of asset values of £106k, which is trivial. We have considered the potential impact on the accounts by extrapolating the errors across the full population of assets valued during the year on an EUV basis, noting that any element of the valuation charged to the cost of services is written out to the Capital Adjustment Account as a statutory adjustments meaning there is no impact on the Council's General Fund balance.			
2	Dr: PPE - Land & Buildings		1,175	
	Cr: Unusable Reserves - Revaluation Reserve			1,175
	Our testing of a sample of eleven PPE assets revalued during the year on a 'depreciated replacement cost' (DRC) basis identified errors in the areas used within the calculations of two of these assets, resulting in an understatement of asset values of £93k, which is trivial. We have considered the potential impact on the accounts by extrapolating the errors across the full population of assets valued during the year on a DRC basis and estimate the actual plus extrapolated errors in total to be £1,175k. We are satisfied that this does not indicate a risk of material misstatement.			
3	Dr: Other Long Term Liabilities - Pensions		626	
	Cr: Unusable Reserves - Pensions Reserve			629
	When a school converts to an Academy the Council is no longer responsible for the employees and as such the Academy takes on the associated pension liability. For the year ended the 31 March 2020 the Council did not ask the actuary to reflect the transfer of three primary schools meaning the Council's position at the 31 March 2020 included liabilities associated with these academies. These schools remain in the Council's liability as at 31 March 2022.			
Total prior year unadjusted misstatements that impact on 2021/22		-	-	2,675
			2,675	

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6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Short Term Investments			16,000	
	Cr: Cash and Cash Equivalents - Cash at bank				16,000
As part of our testing of cash, we noted £16m in the Lloyds on call account had been incorrectly adjusted from the Investments balance and included within Cash and Cash equivalents.					
2	Dr: Debtors			4,022	
	Cr: Cash and Cash Equivalents – Cash at bank				4,022
As part of our resting of cash, we noted unreconciled cash should have been included in debtors.					
3	Dr: Long term borrowing			3,099	
	Cr: Short term borrowing				3,099
As part of our testing of borrowing, we noted the short term borrowing figure should include the accrued interest element mistakenly included in long term borrowing as it is repayable within one					



6. Summary of misstatements

Adjusted misstatements - continued

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	Dr: Revaluation reserve			5,074	
	Dr: Cost of services		2,821		
	Cr: PPE Land & Buildings				7,895
<p>Our work on valuations highlighted that not all additions had been input to the asset register as part of the valuation of land and buildings as at 31 March 2022. We noted capital expenditure of £8,002k on those assets which were subsequently revalued at the balance sheet date had been double-counted. Consequently there was a revaluation decreases of £8,002k, net of other trivial adjustments for accumulated depreciation of £107k, totalling £7,895k. Of this, £5,074k impacts on the Revaluation Reserve and £2,821k on the CIES, which is then reversed out to the Capital Adjustment Account via the MIRS so there is no impact on the general fund. We have also raised a control recommendation, see page 20 of our report.</p>					
Total adjusted misstatements		-	2,821	28,195	31,016



6. Summary of misstatements

Disclosure amendments

During our review of the financial statements we identified, and management made several disclosure amendments, including the following.

- **Note 1 (Accounting Policies)** – going concern note has been updated to reflect most recent guidance wording;
- **Note 2 (Accounting Standard that have been issued but not yet adopted)** – disclosure has been updated to confirm there is likely to be a material impact from the transition to IFRS 16, draft accounts concluded that any impact would not be material;
- **Note 3 (Critical judgements in applying accounting policies)** – narrative updated to provide more detail regarding the judgements applied and to remove non-judgemental items;
- **Note 4 (Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty)** – carrying values of pension liability and property valuations added and additional narrative in regard to the impact to changes in the collection rate added;
- **Note 6 (Events after the balance sheet)** – disclosure updated to better reflect the impact of Academy conversions and remove reference to infrastructure assets;
- **Note 14 (Property, Plant and Equipment)** – the narrative in the note has been updated to include additions totalling £28m, which had not been included in the draft accounts, per the recommendation on page 20 of our report. There was also an adjustment for some revaluations totalling £8m that were double counted. The note has also been updated to confirm the effective date of valuations, for those properties not valued in year;
- **Note 18 (Nature and Extent of Risks Arising from Financial Instruments)** – comparative figures have been added to the credit risk table and reference to the Expected Credit Loss model being a provision removed;
- **Note 35 (Dedicated Schools Grant)** – note has been updated to include prior year comparators;
- **Note 37 (Related parties)** – disclosure has been updated for omissions and other minor disclosure errors;
- **Note 39 (Operating leases - Council as Lessor)** – disclosure updated to correct error relating to minimum lease payments (£1.060m) and prior year comparators (£0858m);
- **Note 41 (Impairment and revaluation losses)** – disclosure has been updated for the amendments made to revaluation movements relating to the double-counting of additions; and
- **Note 44 (Defined Benefit Pension Schemes)** - contributions to the scheme in 2022/23 per the Actuary's report changed to £51.640m from £51.650m.

6. Summary of misstatements

Suggested disclosure amendments un-changed

We also highlighted the following disclosure errors which have management has not changed:

- **Note 1 (Accounting policies)** – As noted in the prior year, the Authority has not included the de minimis level for accounting for PPE additions in their accounting policy;
- **Note 33 (Officers' Remuneration)** - The prior year comparator figures for Corporate Director - Regeneration, Economy and Growth are not disclosed in the note and the end date for Corporate Director - Regeneration, Economy and should be 31/03/22, as there are payments made during 2021/22.
- **Note 34 (External audit costs)** - Fee variations to the £193k PSAA scale fee included in the £238k relating to external audit services for additional work carried out in the previous year should be disclosed in a footnote for clarity.



07

Section 07:

Value for money arrangements

7. Value for money arrangements

Audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report to the January 2023 Audit Committee.

Status of our work

We have substantially completed our work in respect of the Council's arrangements for the year ended 31 March 2022 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation.

Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in January 2022.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Durham County Council
County Hall
Durham
DH1 5UZ

X January 2023

Dear Mark

Durham County Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Durham County Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Corporate Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.



Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework..

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Corporate Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2021/22 in relation to the Council's PFI schemes that you have not been made aware of.



Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. *Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the ACR. Unadjusted should be numerical AND disclosure..*

Yours faithfully

Corporate Director of Resources:

Date:



Appendix B: Draft audit report

Independent auditor’s report to the members of Durham County Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Durham County Council (“the Council”) for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund, 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and 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

In auditing the financial statements, we have concluded that the Corporate Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 Council’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 Corporate Director of Resources with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

The Corporate Director of Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. 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.

Responsibilities of the Corporate Director of Resources for the financial statements

As explained more fully in the Statement of the Corporate Director of Resources’ Responsibilities, the Corporate Director of Resources 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 2021/22, and for being satisfied that they give a true and fair view. The Corporate Director of Resources is also responsible for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Corporate Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.



Appendix B: Draft audit report

We evaluated the Corporate Director of Resources incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Corporate Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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. This description forms part of our auditor's report.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money

Appendices

Appendix B: Draft audit report

Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2022, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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

Auditor’s responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.



Appendix B: Draft audit report

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Durham County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 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 members of the Council 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 members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed [tailor the following bullets according to the reason(s) for withholding the certificate]:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Kirkham, Partner
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

DD January 2023



Appendix C: Independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. Or detail significant matters identified.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that Durham County Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Audit Committee,, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.