

Audit Completion Report

Durham County Council – Year
ended 31 March 2023

November 2023



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Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Audit Committee
Durham County Council
County Hall
DH1 5UQ

November 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. 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. 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, then please do not hesitate to contact me on 07813 752 053.

Yours faithfully

Cameron Waddell

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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 2022/23 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 include:

- Management override of controls;
- Revenue recognition;
- Net defined benefit liability valuation; and
- Valuation of land, buildings and surplus assets

Misstatements and internal control recommendations

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 2023. At the time of preparing this report, matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the 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 at the Audit Committee 27 November 2023. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

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. Further detail on our Value for Money work is 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. 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.

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	Risk of material adjustment or significant change	Description of the outstanding matters
Pensions	Medium	Our work in this area is substantially complete, including our review of the response from the Pension Fund auditor.
Whole of Government Accounts	Low	We have not completed our work in this area. We are waiting for clarification from the NAO in regard audit requirements for both 2021/22 and 2022/23. Once this is issued, we will work with management to complete this work as soon as possible.
Audit closure procedures	Low	These are our standard audit closure procedures including: reviewing the final version of the Statement of Accounts, consideration of post balance sheet events and completing our final quality review procedures.

High - Likely to result in material adjustment or significant change to disclosures within the financial statements.

Medium - Potential to result in material adjustment or significant change to disclosures within the financial statements.

Low - 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 have not made any changes to our audit approach, as explained in our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £31.01m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £31.142m 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 consider 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 16 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.

4. Significant findings

Significant risks

Management override of controls	<p>Description of the risk</p> <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. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</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 or that are otherwise unusual; and Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <hr/> <p>Audit conclusion</p> <p>Our work has provided the required assurance, and we have no matters to report.</p>
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Revenue recognition	<p>Description of the risk</p> <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 2022/23. We have identified income from fees and charges and other income as the key areas for audit testing.</p> <p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p> <hr/> <p>How we addressed this risk</p> <p>We have addressed this risk by:</p> <ul style="list-style-type: none"> testing fees, charges and other revenue items recorded around year end to ensure they have 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. <hr/> <p>Audit conclusion</p> <p>Our work has provided the required assurance, and we have no matters to report.</p>
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4. Significant findings

Significant risks (continued)

Net defined benefit liability valuation

Description of the risk

At 31 March 2023 , the draft financial statements included asset defined benefit liability of £470m, a significant reduction of £829m compared to the previous year.

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.

How we addressed this risk

We have:

- critically evaluated the Council’s arrangements relevant controls for making estimates in relation to pension entries within the financial statements; and
- challenged the reasonableness of the Actuary’s assumptions that underpin the relevant entries made in the financial statements, using an expert commissioned by the National Audit Office;
- critically assessed the competency, objectivity and independence of the Actuary;
- liaised with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively;
- compared assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and
- agreed data in the Actuary’s valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council’s financial statements.

Audit conclusion

Upon completion of the work, highlighted in section 2 we do not expect to report any issues regarding the net defined benefit liability valuation.

4. Significant findings

Significant risks (continued)

Valuation of land, buildings and surplus assets

Description of the risk

At 31 March 2023 , the draft financial statements included £1,005m of land and buildings and £35m of surplus assets (gross value).

Although the Council employs valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment due to the significant judgements and number of variables involved.

How we addressed this risk

We have:

- critically assessed the Council’s arrangements for ensuring that land and buildings and surplus assets valuations are reasonable and not materially misstated;
- critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers;
- considered the competence, skills and experience of the valuers and the instructions issued to the valuers;
- substantively tested revaluations, including critically reviewing the Council’s own consideration of assets not revalued in the year and why they are not materially misstated; and
- performed further audit procedures on individual assets to ensure the basis of valuations is appropriate.

Audit conclusion

Except for the issues highlighted in sections 5 and 6, we have no other significant issues to report, and we have sufficient audit assurance regarding the valuation of land, buildings and surplus assets.

4. Significant findings

Key areas of management judgement

Debtors' impairment allowance	Description of the management judgement <p>The Council has disclosed its impairment of debtors' allowance (£35m) as an area of estimation uncertainty.</p>
	How our audit addressed this area of management judgement <p>We addressed this judgement by:</p> <ul style="list-style-type: none">critically reviewing the Council's calculation of its impairment of debtors' allowance; andassessing whether disclosures are in line with the Code of Audit Practice, including any exemptions relevant to non-contractual debt.
	Audit conclusion <p>Our work has provided sufficient audit assurance, no issues noted.</p>

Accounting for Private Finance Initiative (PFI) schemes	Description of the management judgement <p>The Council is deemed to control the services provided under the contracts for Sedgefield Community College (now an Academy), Shotton Hall School (now The Academy at Shotton Hall) and Shotton Hall Primary School. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements.</p> <p>The method of accounting for PFI assets/liabilities is complex, therefore, this increases the risk of misstatement.</p>
	How our audit addressed this area of management judgement <p>We have:</p> <ul style="list-style-type: none">reviewed the adopted approach for accounting for PFI arrangements;reviewed any changes from prior years to the long-term financial model used;critically reviewed the assumptions made by management; andassessed the completeness and accuracy of disclosures.
	Audit conclusion <p>Our work has provided sufficient audit assurance, no issues noted.</p>

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 May 2023 and were of a good quality. Following conversion of several schools to academy status, more up to date IAS 19 (employee benefit) information was requested by the Council. Upon receipt of this the Council updated the draft accounts, which were made available to us on the 30 June 2023, prior to the audit commencing. The adjustments are set out on page 28 of this report.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- **Requirement for Group Accounts** – As in previous years, 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 because of this judgement. In the coming years, the Council will need to ensure it reviews this assessment and updates it for any significant changes.
- **Reinforced Autoclaved Aerated Concrete (RAAC)** - Due to safety concerns relating to the use of RAAC, the Department for Education required Education Authorities to complete a survey to assess their level of risk. We have considered the Council's response to the Department's request, and considered its conclusion that there was no requirement for a provision or impairment in its 2022/23 accounts. We have considered the Council's assessment and consider it appropriate, based on the information provided to date.

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;
- make an application for judicial review; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 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

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

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.	0
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
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations

Significant deficiencies in internal control – Level 2

Description of deficiency

Our testing highlighted an item (Home Loan Recycled Fund of £1.161m) that has been classified as a capital grant receipt in advance, however the Council was unable to demonstrate why its conditions met the criteria of capital grant receipted in advance. See the error reported on page 25 of this report.

Potential effects

Misstatement of grant income.

Recommendation

The Council should complete a review of the conditions of capital grants and contributions received in advance to ensure there are appropriately classified.

Management response

Management will implement this check in 2023/24.

Description of deficiency

Our testing identified several variances between PPE values input to the asset register and the values one of the external valuers' reports.

Potential effects

PPE balances are not completely or accurately reported in the Statement of Accounts. Valuation entries in the Revaluation Reserve and/or CIES are not fairly stated.

Recommendation

A reconciliation should be carried out between amounts recorded in the asset register and the Valuer(s) reports for all assets revalued in the year.

Management response

Management will implement this check in 2023/24. To aim to mitigate against the risk of human error when inputting manually, we will review processes that could be put in place to reduce the risks of these instances occurring.

With regards to the refurbishment works expenditure recorded against the land asset held at historic cost, an impairment will be carried out during 23/24 to correct this figure.

5. Internal control recommendations

Significant deficiencies in internal control – Level 2

Description of deficiency

Our testing of related party transactions identified three missing declarations of interest from councillors for 2022/23.

Potential effects

The related party transactions disclosure note in the Statement of Accounts is not complete, conflicts of interest may not have been declared and potential public perception of impaired transparency.

Recommendation

Ensure all completed declarations of interest forms are obtained prior to the draft accounts being prepared.

Management response

Management will implement this check in 2023/24.

5. Internal control recommendations

Follow up on previous internal control points

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.

2022/23 update

No issues noted in 2022/23.

5. Internal control recommendations

Follow up on previous internal control points (continued)

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.

2022/23 update

No issues noted in 2022/23.

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 account's preparation, which did not enable a full reconciliation between the GL and asset register to be carried out as is normally expected.

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

Potential effects

There could be material omissions from the land and buildings balance in the financial statements, because of additions 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.

2022/23 update

No issues noted in 2022/23.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of [x]. 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 course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
1	Debit: Long Term Liabilities - Capital Grants Receipts in Advance			1,161		When considering the conditions for the Home Loan Recycled Fund totalling £1.161m, we did not consider there to be sufficient evidence to support its classification as a Capital Grant Receipt in Advance and we therefore consider it to be a creditor. We have identified this as an isolated error. There is no impact on the financial position from this error.
1	Credit: Creditors				1,161	

6. Summary of misstatements

Unadjusted misstatements

	Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
2	Debit: Cost of services, reversed to Capital Adjustment Account (CAA)		1,341		Our testing identified a small number of variances between PPE values input to the asset register and the values in one of the external valuers' reports. Although the overall net misstatement was trivial, at £844k, the variances for three individual assets were non-trivial but not material (undervalued by £1,686k, overvalued by £1,621k and £1,340k.respectively), and the impact on the CIES (then reversed out to the CAA within statutory adjustments) is non-trivial. This is the actual net total error as all revalued assets have been checked. The client has not amended for this on the grounds of materiality.
	Credit: Property, plant and equipment (PPE)			844	
	Credit: Revaluation Reserve			497	

6. Summary of misstatements

Unadjusted misstatements

	Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
3 Debit: PPE			6,609		From our testing of six significant building assets valued on a DRC basis we identified errors within the valuer's supporting workings for two of them. As a result, the asset values were understated by £6,609k. These related to manual input errors for the area of one of the buildings, and the incorrect location factor and allowance for external works applied in the calculation for the second building. These are actual errors in our non-sampled items selected for testing and so no extrapolation is required. The client has not adjusted for these errors.
Credit: Revaluation Reserve				6,609	

6. Summary of misstatements

Unadjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
4	Debit: Cost of services	6,827				The calculation of the in-year depreciation charge on assets is based on the gross book value brought forward, less any residual value, divided by useful asset life. We noted, the depreciation charge on some land and building assets that have had additions or enhancements in the year added to the net book value rather than gross book value. This was the case for one out of the two land and buildings assets in our sample. We have considered the potential impact on the accounts by extrapolating the differences identified in our testing and estimate this to be £6.827m.
	Credit: Property, plant and equipment				6,827	
1	Credit: CAA			6,827		
	Credit: General fund		6,827			
	Total unadjusted misstatements	6,827	6,827	15,938	15,938	

6. Summary of misstatements

Unadjusted misstatements (from prior year error, that impacts on 2022/23)

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
1	Debit: Other Operating Expenditure (loss on disposal of non-current assets)	1,411				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).
1	Credit: PPE				1,411	
	Debit: Revaluation Reserve			714		
	Credit: CAA				714	
	Total unadjusted misstatements	1,411	-	714	2,125	

6. Summary of misstatements

Adjusted misstatements		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
1	Debit: Other Comprehensive I&E - Remeasurements of the net defined benefit liability	49,730				Following the publication of the draft accounts (31/05/2023), the Council requested a revised IAS 19 Actuary's report due to the number of schools transferring to academies during the year. As a result, total expenditure in the CIES (current service cost and net interest on the defined benefit liability) reduced by £49,730k and the amount reversed out to the Pensions Reserve via the MIRS as part of the Adjustments between accounting basis and funding basis under regulations also reduced by £49,730k. This also impacted on Note 7 Expenditure and Funding Analysis (and supporting note), Note 8 Expenditure and Income Analysed by Nature, Note 9 Adjustments Between Accounting Basis and Funding Basis Under Regulations, Note 12 Financing and Investment Income and Expenditure, Note 26 Pensions Reserve and Note 44 Defined Benefit Pension Schemes.
	Credit: Cost of services (IAS 19 current service cost to services)		35,960			
	Credit: CIES - Financing and Investment I&E (Pensions net interest costs)		13,770			

6. Summary of misstatements

Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
2	Debit: CIES gain/loss on disposal	48,224				As part of our work on the disposal of the HQ, we noted an error in the accounting treatment (noting there is no impact on the overall financial position).
1	Credit: PPE L&B - derecognition - disposals (Impairment)				48,224	
	Credit: CIES gain/loss on disposal		48,224			The asset was impaired to nil, rather than being written out as part of the gain on disposal. This impacted on numerous areas of the accounts, including the Narrative Report (Revenue Outturn table), Comprehensive Income and Expenditure Statement, MIRS, Note 7 (Expenditure and Funding Analysis and related notes), Note 8 (Expenditure and Income Analysed by Nature), Note 11 (Other Operating Expenditure), Note 14 (Property, Plant and Equipment), Note 26 (Unusable Reserves - Revaluation Reserve and Capital Adjustment Account), and Note 27 (Cash Flow Statement - Operating Activities). All of these have been corrected.
	Debit: Capital Adjustment Account			48,224		
	Debit: Revaluation Reserve			6,570		
	Credit: Capital Adjustment Account				6,570	
	Debit: PPE			48,224		
	Credit: Cost of services		41,654			
	Credit: Revaluation Reserve				6,570	
	Debit: CIES depreciation and impairments	41,654				
	Credit: CAA				41,654	
	Total adjusted misstatements	139,608	139,608	103,018	103,018	

6. Summary of misstatements

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- **Note 1 (accounting policies)** – Accounts have been updated to include the de minimis level for capitalising properties.
- **Note 6 (events after the balance sheet date)** – The note was updated to reflect 8 schools that converted to academies.
- **Note 14 (property plant and equipment)** – Following our audit work we noted the following:
 - a. The total revaluation/depreciation in the surplus/deficit on the provision of services has been corrected from £6,509k to 8,043k and the total revaluation/depreciation in the revaluation reserve has been changed from £14,604k to £16,138k, to be consistent with other areas in the accounts.
 - b. We agreeing to the valuers' reports to the fixed asset register, we identified three assets that had not been revalued during the year but were incorrectly included in the table as assets revalued in 2022/23. We also identified two assets which were revalued but had not been included in the table as assets revalued in 2022/23. These errors have been satisfactorily corrected.
- **Note 17 (financial instruments) and Note 27 (cash flow statement – operating activities)** - The interest expense figure was updated to be consistent across all notes.
- **Note 18 (nature and extent of risks arising from financial instruments)** – following our review of this disclosure, several adjustments have been made including the maturity analysis of financial liabilities table and the inclusion of all borrowing, to be consistent with the prior year.
- **Note 20 (short term debtors)** – Following our work, several classification adjustments have been made.
- **Note 33 (exit packages)** - Our testing of exit packages noted some differences between the amounts disclosed in Note 33 and the actual payment made. This was owing to differences in estimated and actual pension strain costs as well as a pay award introduced in November 2022 which was backdated. These have been corrected.
- **Note 34 (external audit costs)** – Fees have been updated to reflect the fees reported in our Audit Strategy Memorandum and Audit Completion Report.
- **Note 35 (dedicated schools grant)** – Adjustments have been made to ensure the disclosure is consistent with the requirements of the Code.
- **Note 37 (related party transactions)** – Following our audit work, disclosures relating to three related parties have been corrected to reflect transactions with the Council in year.
- **Note 41 (impairment and revaluation losses)** - The note has been updated for the reversal of the impairment of the new HQ; reflecting a net decrease in the value of the council's assets of £120.591m (previously £168.814m).

6. Summary of misstatements

Disclosure amendments (continued)

We identified the following adjustments during our audit that have not been corrected by management:

- **Note 4 (assumptions made about the future and other major sources of estimation uncertainty)** – We have noted the following issues which have not been corrected:
 - a. The property depreciation disclosure includes the carrying value of land which is not depreciated. As the disclosure relates to depreciation this element should have been excluded; and
 - b. The property valuation disclosure includes the total carrying value of all assets, not all assets are subject to revaluation so this should be calculated on only the applicable carrying values.
- **Note 17 (financial Instruments)** - The value of the shares in Chapter Homes and Forrest Park in long term investments have remained unchanged since 2018/19. While there is no evidence to suggest a material misstatement, the Council should complete a review to ensure their accuracy.
- **Note 17 (financial instruments)** – Our review has noted that fair value through other comprehensive income equity instruments have been valued by using the level 3 fair value method. However not all disclosures per the requirements of the Code, have been included for these type of financial instruments.
- **Note 32 (members' allowances)** - Our testing of member's allowances noted that a member holding the post of Vice Chair of Overview and Scrutiny Committee was paid a specific responsibility allowance of £8,645 not £7,980. No adjustment is required, as the difference is within the £1k bandings as required by the Code – however we have reported the error for transparency purposes.
- **Note 39 (leases)** – All vehicles are operating leases, however they are disclosed as finance leases. While the amounts involved are not material, we think it would be beneficial if there was a disclosure explaining the Council's judgement to account for its vehicles as finance leases.
- **Note 46 (contingent assets)** - The Council should disclosure an estimate of the contingent asset's financial effect. The disclosure states the amount received and recognised in year but not the estimate of the financial effect for the contingent asset in future years, as required by the Code.

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

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 following the completion of our opinion audit work.

Status of our work

Whilst we have not yet drafted the commentary for inclusion in the Auditor's Annual Report, we have completed our work in respect of the Council's arrangements for the year ended 31 March 2023 and 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 upon completion of our opinion audit work.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

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

27 November 2023

Dear Mr Waddell

Durham County Council - Audit for Year Ended 31 March 2023

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 2023 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 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022 and applicable law.

I confirm that the following representations 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

Appendix A: Draft management representation letter

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am 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.

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 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

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

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.

Appendix A: Draft management representation letter

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 company 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, as amended by the Code Update 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.

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 and I believe I have appropriately fulfilled those responsibilities.

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.

Appendix A: Draft management representation letter

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, as amended by the Code Update 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 and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

The Council has no 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 2022/23 in relation to the Council's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update 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.

Appendix A: Draft management representation letter

Reinforced Autoclaved Aerated Concrete

I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council, and in particular whether there are indications of a need for an impairment of the Council's property, plant and equipment balances. I confirm there are no such indications of impairment in those assets.

Banking Crisis

I confirm that we have assessed the impact on the Council, of the on-going Global Banking challenges, whether there is any impact on the Council's ability to continue as a going concern, and on the post balance sheet events disclosures. We confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note [X] to the financial statements fairly reflects that assessment [Tailor to suit, particularly where impacts may be direct or significant such as where financing or operations are directly impacted by restrictions or sanctions or where uncertainties impact on going concern assessments].

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note [X] to the financial statements fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not 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 unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Corporate Director of Resources

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 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2023 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 2022/23 as amended by the Code Update.

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.

Appendix B: Draft audit report

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, 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.

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. The Corporate Director of Resources 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.

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 2022/23 as amended by the Code Update, 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.

Appendix B: Draft audit report

The Corporate Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to :

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their 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

Appendix B: Draft audit report

- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

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, significant one-off or unusual transactions and risk of revenue recognition.

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;
- addressing the risks of fraud through management override of controls by performing journal entry testing; and
- addressing the risk of fraud through revenue recognition by testing a sample of revenue items around the year-end, testing year-end receivables, obtaining direct confirmations of year-end bank balances, and testing bank reconciliations to the ledger.

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 February 2023.

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.

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 2023.

We have nothing to report in this respect.

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 January 2023.

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

Appendix B: Draft audit report

- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

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 the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.





Cameron Waddell Key Audit Partner
For and on behalf of Mazars LLP
Bank Chambers
26 Mosley St
Newcastle upon Tyne
NE1 1DF
27 November 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.</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> <ol 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 [ClientName] 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 (continued)

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> <ol 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: <ol 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.

Cameron Waddell, Partner – Public Services

Mazars

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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.

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