

Audit Completion Report

Cheshire East Council– Year
ended 31 March 2023

27 February 2024



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Audit and Governance Committee
Cheshire East Council
Westfield, Middlewich Road
Sandbach
CW11 1HZ

07 March 2024

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 which we presented on 28 September 2023. 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 07977 261873.

Yours faithfully

Suresh Patel, Partner

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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;
- Valuation of the net defined benefit liability; and
- Valuation of property, plant and equipment, and investment property.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements relating to two classification errors total £11,344k. This does not impact on the surplus or deficit on provision of services or the general fund balance. 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, significant matters remaining outstanding as 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 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. We have considered the financial difficulty the Council faces and the arrangements the Council has in place for financial sustainability. Our work on value for money is ongoing and we will continue to assess the Council's arrangements, particularly those relating to financial sustainability. We anticipate completing our VFM work and issuing our commentary on this at the date we issue the audit report. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have received group instructions from the National Audit Office in respect of our work on the Council's WGA submission and will commence this work shortly.



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. No such correspondence from electors has been received.

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
Land and building revaluations	Medium	We are waiting on responses to our queries from the Council's valuer asking for further support relating to differences in land value used in the calculation of the value of assets and the comparable information provided.
PFI Liability	Low	We are close to completing our work in this area and are following up a query with the finance team following our challenge of the PFI amounts due in future years given that one PFI asset was destroyed by a fire and the provider has not yet rebuilt the asset.
ITGC testing	Low	Our work in this area is nearing completion with one outstanding query, no issues have been identified.
Final review procedures	Medium	We are completing our file review which includes specific manager review of completed sections, alongside review by the engagement partner and engagement quality review partner.
Events after the reporting period	Low	Review of events after the reporting period, up to the point at which we sign our audit report. We will require confirmation regarding the status of the potential capital direction for debt taken on to finance HS2 costs.
Whole of Government Accounts (WGA)	Low	We have received group instructions from the National Audit Office in respect of our work on the Council's WGA submission and will commence this work shortly. However, we will be unable to conclude our work and complete the assurance statement until the NAO have selected sampled components.

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 provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. 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 £18m for the Group financial statements and £17.7m for the Council single-entity statements using a benchmark of 2% of gross operating expenditure. No changes to the materiality level set at the planning stage have been made.

Use of experts

We have not made changes to the planned use of experts as set out in our Audit Strategy Memorandum to assist in our audit procedures. Please see table below:

Item of account	Management's expert	Our expert
Defined benefit liability/asset	Hymans Robertson Actuaries	PwC consulting actuary, on behalf of the National Audit office
Property, Plant and Equipment and Investment Property valuation	Montagu Evans	We will use available third-party information to challenge the key valuation assumptions
Financial instruments disclosures	Arlingclose Treasury Advisors	We will review the expert's methodology in calculating the fair value disclosures to confirm the reasonableness of assumptions used

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. The table below summarises the service organisations used by the Council and our audit approach.

Item of account	Management's expert	Our expert
Payroll, non-pay expenditure, and other transactional items of account	Cheshire transactional services (shared services)	We obtained assurance by understanding the process and controls that the Council has in place to assure itself that transactions are processed materially correctly. Our testing will include sample testing of transactions based on evidence available from the Council rather than the Shared Service.

3. Audit approach

Group audit approach

Cheshire East Council prepares Group accounts and consolidates the following subsidiary companies within its Group accounts:

- Cheshire East Resident First Limited (CERF) - 100% owned by Council
- ANSA Environmental Services Limited, Transport Service Solutions Limited and Orbitas Bereavement Services Limited - 80% owned by CERF and 20% by Council.

Our approach reflected the size and complexity of the transactions and balances within the subsidiary company that are consolidated into the Council's Group financial statements. Our approach is outlined below, and we confirm that there are no changes to the planned approach set out in our Audit Strategy Memorandum.

Group component	Approach adopted	Key points or other matters to report
Cheshire East Council	Full audit	Full audit – matters included in this report
Cheshire East Resident First Limited (CERF)	Review procedures	Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
ANSA Environmental Services Limited	Review procedures	Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
Transport Service Solutions Limited	Review procedures	Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
Orbitas Bereavement Services Limited	Review procedures	Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.

Full audit

Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures

Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures

Performance of specific audit procedures on the component's financial information

Review procedures

Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

04

Section 04: **Significant findings**

4. Significant findings

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

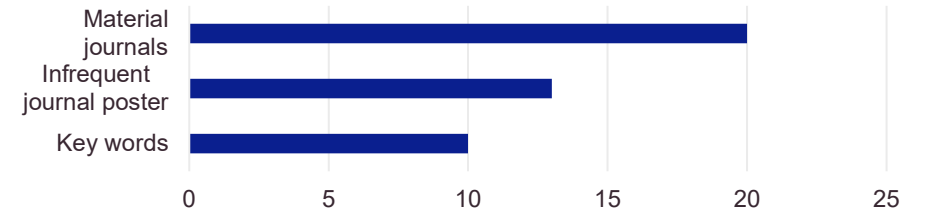
- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 17 we have concluded whether the financial 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
	In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<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; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>There were no significant findings arising from our review of areas of potential management override of controls which we need to bring to the Committee’s attention.</p>

Analysis of work performed

The figure below highlights the spread of journals selected for testing across identified risk factors for our review. For 2022/23 the Council posted 7,427 manual journals that impacted the general ledger. Our risk analysis identified 43 of these journals for testing for the reasons shown.



Our testing confirmed that all the selected items were valid journal postings.

4. Significant findings

Valuation of defined benefit asset	Description of the risk
	<p>The pension asset represents a material element of Cheshire East Council's balance sheet. The Council is an admitted body of the Cheshire Pension Fund (CPF) which had its last triennial valuation completed as at 31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension asset are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension asset in 2022/23.</p>
	How we addressed this risk
	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• Critically assessing the competency, objectivity and independence of the CPF's Actuary, Hymans Robertson• Liaising with the auditors of the CPF (Grant Thornton) to gain assurance that the controls in place at the Pension Fund are operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate.• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office.• Agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
	Audit conclusion
	<p>Our work in this area is now complete and is being subject to final review procedures. We have received the IAS 19 report from the actuary which appropriately recalculates the asset ceiling which places a cap on the extent to which a net defined benefit asset may be recognised. The Council's actuary previously calculated the asset ceiling using a finite period for future service contributions, where an infinite future service period should have been assumed. This has resulted in an audit adjustment of £(267,294)k changing the defined benefit asset to a defined benefit liability of £71,205k.</p> <p>From our review of the Pension Fund auditor letter upon which we rely for assurance over the completeness and accuracy of data, we have identified that the Pension Fund have a control weakness we wish to bring to the attention of members. Grant Thornton, the pension fund auditor were unable to agree the total number of active, deferred, pensioner, dependant and undecided members submitted to the actuary to the underlying information system maintained by the pension fund, due to disparities noted between the database used by the Pension Fund and the underlying records. Sufficient appropriate assurance was obtained over the completeness and accuracy of the data used by the actuary to conclude there was is no material misstatement by testing the underlying data to the submission.</p>

4. Significant findings

Valuation of property, plant and equipment (Land and Buildings) and Investment Properties

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.

As a result of the rolling programme of revaluations, there is a risk that the value of individual assets which have not been valued for up to four years are not materially fairly stated at their current value as at the end of the reporting period. In addition, as the valuations are undertaken through the year there is a risk that the value of the assets is materially different at the year end.

How we addressed this risk

Our audit procedures included:

- Obtaining an understanding of the Council's valuer's qualifications, objectivity and independence to carry out such valuations.
- Reviewing the valuation methodology used in the year including testing the underlying data and assumptions.
- Considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies.
- Reviewing the approach that the Council has adopted to address the risk that assets not subject to valuation in 2021/22 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council's valuers.
- Considering the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

Audit conclusion

Our work on this risk is substantially complete, but we are waiting for response from the valuer on several remaining sample items where there are differences between the land value per hectare used in the calculations and the land value per the comparable properties. No issues have been noted otherwise in the testing.

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 were of a good quality and produced before the deadline of 31 May 2023. Good quality working papers have been made available in a timely manner and these have assisted in our audit progress. Council finance officer colleagues have prioritised responding to our audit queries.

Significant difficulties during the audit

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

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 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.

Post Balance Sheet Events

We will continue to review events after the reporting period up to the point at which we sign our audit report. We will require confirmation from management regarding the status of the potential capital direction for debt which was taken on to finance HS2 related costs prior to the cancellation of phase 2, as well as any other significant events. These will need to be clearly presented in the post balance sheet events disclosures in the final set of financial statements.

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 Those Charged With Governance 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.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

5. Internal control recommendations

Recommendations on internal control – Level 3 (low)

Description of deficiency

The expected credit loss provision for housing benefits and adult social care debt is calculated based on percentages calculated in 2019 which have not been updated to reflect the current profile of debt.

Potential effects

The amount provided for may not be accurate and may fail to take into account prevailing economic conditions.

Recommendation

The Council should review the percentages used for the calculation of the expected credit loss provision in respect of housing benefits and adult social care annually.

Management response

The provision is reviewed annually but we agree that the calculation basis has not been formerly reviewed since 2019. We have now completed a review of the level of debt and applied more appropriate percentage calculations based on current trends in recovering the debt. This new calculation basis will be applied in 2023/24.

Description of deficiency

Year-end accounts payable and receivable reconciliations were not signed as reviewed, and the payroll bank reconciliation was not signed as prepared. One school bank reconciliation was not prepared.

Potential effects

Amounts included in the financial statements may be misstated.

Recommendation

Reconciliations should be signed as prepared and reviewed on a timely basis.

Management response

Agreed - all reconciliations should be completed and reviewed in a timely manner. The Council will ensure that all reconciliations are completed and reviewed during the year.

5. Internal control recommendations

Follow up on previous internal control points

The internal control points reported in the 2021-22 ACR relate to IT general controls. Our audit work over in this area is near completion, with two requests outstanding. We note that no issues have been found in our testing of new user access.

Description of deficiency

Our testing of Unit 4 privileged access users identified 46 users that retained systems access to the in-scope application post their leave date.

Potential effects

Inappropriate access that is not commensurate with job role may lead to unauthorised activity and transactions.

Recommendation

The leavers process should be adhered to in full in order to ensure that colleagues and third parties no longer requiring access to systems and data are removed on a timely basis.

2022/23 progress update from management

The leavers process for user access management is now established and user accesses are closed in a timely manner as part of the leaver process. There are multiple strands to user access within Unit4 as user permissions are defined by the position the user is linked to. Once the leaver process is completed those users are identified for user access termination but it is the ending of the employment in the position that removes functional access; system access without the functional permissions from the position would not allow a user to transact in Unit4.

Processes are now in place to ensure that accesses are only provided if line management approval is in place but as the access is position based and this process will now be ingrained the act of granting transactional permissions within Unit4 will largely be attained through being employed in an existing position with the associated defined and agreed accesses.

2022/23 update following audit work

At the time of writing, we are waiting for response to our request from IT staff.

5. Internal control recommendations

Follow up on previous internal control points

The internal control points reported in the 2021-22 ACR relate to IT general controls. Our audit work over in this area is near completion, with two requests outstanding. We note that no issues have been found in our testing of new user access.

Description of deficiency

A new user was granted access to Unit 4, the in-scope application, prior to approval of the request

Potential effects

Inappropriate access that is not commensurate with job role may lead to unauthorised activity and transactions.

Recommendation

Management should ensure that there is appropriate approval prior to granting access to systems.

2022/23 update following audit work

No such issues were identified as part of our testing of IT General Controls this year.

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

Our testing of the leases identified an instance where signed copy of lease agreement was not obtained and retained on file.

Potential effects

In the absence of a signed lease agreement there is a risk of incorrect rental income being charged to the accounts and an increased risk of legal difficulties in the event of any contractual disputes.

Recommendation

The Council should ensure that proper, completed, signed documents are retained for each lease.

2022/23 update following audit work

Our audit testing did not find any such instances in the current year

Description of deficiency

Our journals testing identified one instance of a journal being posted without a line description.

Potential effects

Posting journals without descriptions diminishes the audit trail and increases the risk of erroneous or fraudulent transactions being posted to the ledger undetected.

Recommendation

There should be a review process to ensure that journals without descriptions are not posted to the ledger.

2022/23 progress update from management

The Council completes an annual review of journals processed during the year to ensure that all journals have a relevant description. Where a description is missing the transaction is reversed and posted corrected in the General Ledger.

2022/23 update following audit work

Our audit testing did not find any such instances in the current year. Cheshire East Council had performed an exercise to ensure that all journals without a line description had been appropriately addressed.

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 £531k. 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: Fees, Charges and Other Service Income	11,344		0	0	We noted two misclassifications of income £5,033k and £6,311k totalling to £11,344k when agreeing the testing populations to the financial statements. This does not result in a change to surplus or deficit on the provision of services
1	Credit: Government Grants and Contributions		(11,344)			
	Total unadjusted misstatements	11,344	(11,344)	0	0	

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: Remeasurement of the Net Defined Pension Benefit Liability	267,294	0			The Council's actuary had calculated the asset ceiling using a finite period for future service contributions, where an infinite future service period should have been assumed. This has resulted in an audit adjustment of £(267,294)k changing the defined benefit asset to a defined benefit liability of £71,205k.-
	Debit: Pensions Reserve			267,294		
	Credit: Net Pension Liability				(267,294)	
2	Debit: PPE			13,019		We noted that Infrastructure Assets accounting policy had not been updated in line with the infrastructure note following the statutory override which the Council adopted in 2021-22. This resulted in derecognition occurring in 2022-23 in the infrastructure asset note where this should be nil when following Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 "that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil".
	Debit: MiRS			13,019		
	Credit: CIES other expenditure		(13,019)			
	Credit: Capital Adjustment Account				(13,019)	
-	Total unadjusted misstatements	267,294	(13,019)	280,313	(280,313)	-

6. Summary of misstatements

Disclosure amendments

We identified the following significant adjustment when mapping the trial balance to the financial statements that has been corrected by management:

There was a restatement within creditors of £8,619k from Central Government Bodies to Other Local Authorities. This has no impact on the Balance Sheet or the CIES.

We also identified a number of minor disclosure amendments which have been corrected by management.

07

Section 07:

Value for Money

6. 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 completion of our audit work.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. In late September 2023, we identified that there was a risk of significant weakness relating to financial sustainability and have undertaken work to determine whether the Council have appropriate and robust arrangements in place, please see overleaf for further detail. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation.

6. Value for Money

Risks of significant weaknesses in arrangements

At the 28 September 2023 Committee meeting we gave a verbal update to the Audit Strategy Memorandum to say that in light of the Council's financial forecast for the year ending 31 March 2024, we had identified a risk of significant weaknesses in arrangements. We report below our response to the identified risk.

Risk of significant weakness

Financial sustainability

In February 2023, the Council agreed a balanced budget for the 2023/24 financial year. This included £70m of service growth (compared to £21m for 2022/23) and £24m of service savings (£7m for 2022/23).

At the 5 October 2023 Corporate Policy Committee, the Director of Finance and Customer Services authored a report entitled 'First Financial Review 2023/24'. This identified a forecast deficit of £26m due to cost pressures in Children's services, higher rates of inflation than expected and increasing interest rate charges. The £26m deficit has already been reduced to £12.8m, following some parts of the Council identifying additional savings. Members have agreed a range of mitigations aimed at reducing the forecast deficit even further including corporate-wide spending management and control (for example freezing vacancies).

Whilst the financial challenges faced by the Council are not unique across the local government sector, the evidence we have summarised above, represents a risk of significant weakness to the arrangements that the Council has in place to support its financial sustainability.

Work undertaken and conclusions reached

Work undertaken

In response to the identified risks of significant weakness our planned procedures will include:

- Obtaining an understanding of how the Council is planning to reduce its current forecast deficit for 2023/24 of £12.8m.
- Challenging the deliverability of the mitigations identified.
- Challenging how the mitigations identified are consistent with other Council plans such as workforce, capital, investment and other operational plans for 2023/24.
- Challenging management on how it assesses the impact of the 2023/24 financial outturn and forecast on its Medium-Term Financial Strategy.
- Maintaining a regular dialogue with the Director of Finance and Customer Services on the financial forecast for 2023/24 and the impact of the identified mitigations.

Conclusions

Since we reported the identification of the risk, the Council has published a Second Financial Review which reported that the forecast had worsened from £12.8m to £18.7m despite the range of activities put in place. However, having completed the work outlined above and reviewed the activities of the Cheshire East Budget Emergency Response Team, we have formed the view that there is no actual significant weakness in the Council's financial sustainability arrangements. We recognise that the Council's finances are in a precarious position for the 2023/24 year and that its budget setting process for 2024/25 is proving equally challenging. However, based on the work undertaken and the evidence we have reviewed, we are satisfied that the Council has the expected arrangements currently in place.

We will provide more detailed information in the Auditor's Annual Report which will follow the issue of the auditor's report on the accounts.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Suresh Patel
Mazars LLP
30 Old Bailey
London
EC4M 7AU

Dear Alex

Cheshire East Council - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Cheshire East 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 Council Accounting in the United Kingdom 2022/23 (the Code), the Code Update 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 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 Director of Finance & Customer Services and S.151 Officer 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 any significant assumptions used by the Council in making accounting estimates are reasonable, including those measured at current or fair value.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

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.

Appendix A: Draft management representation letter

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 Director of Finance & Customer Services and S.151 Officer 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:
 - o management and those charged with governance;
 - o employees who have significant roles in internal control; and
 - o 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.

Appendix A: Draft management representation letter

Charges on assets

All the Council'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.

Group accounts

I confirm I consider where any of the Council's subsidiary companies have not been included within the group accounts prepared, their inclusion would not have a material impact on the accounts.

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.

Private Finance Initiative

I confirm that, to the best of my knowledge, there have been no significant contract variations agreed during the year. There have also been no off-programme lifecycle expenditures.

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.

Annual Governance Statement

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

Narrative report

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

Appendix A: Draft management representation letter

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. All uncorrected misstatements are included in the Appendix 1 to this letter.

Other matters

I can confirm in relation to the following matters that:

- I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.
- We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Statement of Accounts fairly reflects that assessment.
- I confirm I have considered the treatment of items or probable and potential expenditure notified to us by external parties in line with the accounting standards for contingent liabilities and provisions.
- We confirm that we have assessed the impact on the Council of the on-going Global Banking challenges, in particular whether there is any impact on the company'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.
- 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 or investment property balances. I confirm there are no such indications of impairment in those assets.

Yours faithfully

Alex Thompson
Director of Finance & Customer Services
Section 151 Officer

Appendix B: Draft audit report

Independent auditor's report to the members of Cheshire East Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Cheshire East Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, 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 and the Group as at 31st March 2023 and of the Council's and the Group's 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 and Group 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 Director of Finance & Customer Service's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 Director of Finance & Customer Service's with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit 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 Director of Finance & Customer Service 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 Director of Finance & Customer Service for the financial statements

As explained more fully in the Statement of the Director of Finance & Customer Service's Responsibilities, The Director of Finance & Customer Service 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 Director of Finance & Customer Service is also responsible for such internal control as The Director of Finance & Customer Service determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & Customer Service 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 Director of Finance & Customer Service is responsible for assessing each year whether or not it is appropriate for the Council and Group 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.

Appendix B: Draft audit report

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

We evaluated the Director of Finance & Customer Service's 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 in relation to fraud included but were not limited to :

- making enquiries of management and the Audit and Governance 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 and Governance 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.

Appendix B: Draft audit report

We are also required to conclude on whether the Director of Finance & Customer Service's 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.

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 opinion, 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 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 January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

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 January 2023.

Appendix B: Draft audit report

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.

We have nothing to report in these respects

Use of the audit report

This report is made solely to the members of Cheshire East 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;
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

[Signature]

Suresh Patel, Key Audit Partner
For and on behalf of Mazars LLP

30 Old Bailey
London
EC4M 7AU

DD/MM/2024

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: Fees

Fees for work as the Authority's auditor



We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in September 2023. We set out below an indicative analysis of the final fees and will be seeking agreement with the Director of Finance & Customer Services:

Area of work	2022/23 Proposed Fee	2021/22 Proposed Fee
Code Audit Work (Scale fee)	£128,974	£119,034
Additional fees:		
- PPE & IP valuations – use of our expert (Note 1)	£9,000-15,000	£9,940
- Additional testing (Note 2)	£2,500-10,000	£2,500
- Code changes to value for money (Note 3)	£20,000-35,000	£23,750
- Additional work relating to Infrastructure assets	-	£15,000
TOTAL	TBC	170,224



Notes:

1. Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations
2. Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised): Specific considerations – audit of group financial statements; ISA 315 (Revised): Identifying and Assessing the Risks of Material Misstatement
3. Additional work as a result of the new Code of Audit Practice, the identified significant risk around financial sustainability and VFM reporting
4. The 2021/22 proposed fees are as per the AAR, but are still subject to agreement.

Appendix E: 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> <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 E: 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 Those Charged With Governance, 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.

Suresh Patel

Mazars

30 Old Bailey
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EC4M 7AU

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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