London Borough of Richmond Upon Thames
Audit results report

Year ended 31 March 2020

January 2021

29 January 2021

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

Dear Committee Members

We are pleased to attach our Audit Results Report in relation to the audit of the London Borough of Richmond upon Thames for 2019/20.

At the date of publishing this report, our audit is complete.

This report is intended solely for the use of the Audit, Standards and Statutory Accounts Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

Yours faithfully

Helen Thompson

Helen Thompson
Ernst + Young LLP

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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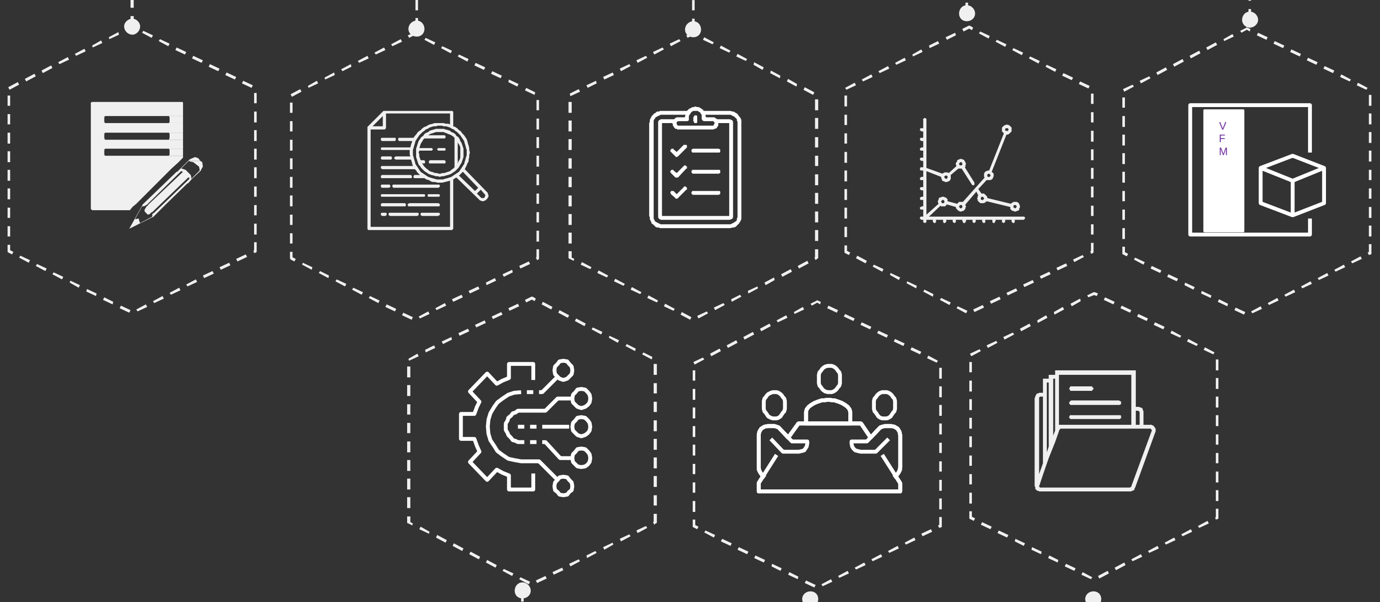

Public Sector Audit Appointments Ltd (PSAA) have issued a ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment (updated April 2018)’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Audit Planning Report dated February 2020 and the Audit Planning Report Update circulated in August 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. In the Audit Planning Report Update we also noted our revised materiality following receipt of the draft financial statements, and the change in our performance materiality from 75% of planning materiality to 50% (due to the cumulative effect of the uncertainty arising due to Covid-19 and the volume of errors identified in the previous year). Planning materiality is now £9.067 million, while performance materiality is £4.533 million and our audit threshold for reporting differences is £0.453 million.

Covid-19 has driven a small number of changes to the scope of our audit. These were included within the Audit Planning Report Update and we note two other changes below:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Consultation: additional EY consultation requirements have been put in place regarding the impact on auditor reports because of Covid-19.

The changes to audit risks, audit approach and auditor reporting requirements increased the level of work we needed to perform. This will have an impact on our audit fee, as set out on page 37.

Status of the audit

At the date of publishing this report, our audit of the London Borough of Richmond upon Thames financial statements for the year ended 31 March 2020 is complete. We have completed the procedures outlined in our Audit Planning Report as set out in Section 2, and we have not identified any issues that would lead to a qualified audit opinion.

Our audit opinion includes the following:

Valuation of land, buildings and investment properties – we have included an emphasis of matter in respect of the material uncertainty issued by the Authority's valuer in respect of the valuation they have provided. An emphasis of matter is not a qualification of the audit opinion.

Executive Summary

Audit differences

We have identified the following audit differences which have been corrected:

- Accounting for Academy schools: we identified the Authority had retained both buildings and land associated with schools that had become academies. This impacted both the current and prior years and therefore resulted in a prior year adjustment totalling £288m. This amendment was required as the Code states that upon a school achieving Academy status, the buildings element should be written out of the balance sheet while the land element should be held at a nominal value to recognise the long term lease of the land to the academy schools.
- A judgemental difference was identified relating to the valuation of two assets. The first, Craneford Way Depot, held within PPE, was understated
- by £10.5m; the second, Ham Nurseries, an investment property was overstated by £5.275m. This results from a difference in the interpretation of the RICS guidance for valuation of land between our specialists and management's specialist, Wilks Head & Eve.
- We also identified a further balance where the asset valuation for Ambassador House had not been included within the financial statements, totalling £1.54m. This same error also occurred last year.
- We found that land at Normansfield Avenue had been included on the Councils Balance Sheet with a value of £4.38m. This land is held under a long term lease to a third party at a peppercorn rent. The value within the accounts has therefore been reduced to almost nil to reflect this.
- The Authority requested an updated IAS19 report to reflect the market conditions and asset valuations as at 31 March 2020. This increased the pension liability by £14.1m.
- Understatement of Housing Benefit Subsidy income for Rent Allowances properties to the value of £0.87m. This credits income and debits debtors by the same amount.
- The analysis of Liquidity Risk in Note 39 - Nature and Extent of Risks Arising from Financial Instruments has been revised to include all contractual commitments (e.g. future interest liabilities). These had been excluded from both the current and prior years. As both years require amendment, a prior period adjustment has also been made to update the 2018/19 balances.

A small number of other additions and amendments were also made to disclosures appearing in the financial statements as a result of our work, which included additional narrative at Note 1.2 Going Concern, setting out the Authority's Covid-19 going concern impact assessment.

The following audit differences have not been amended:

- In addition to the amended errors in relation to land and buildings and investment property set out above, we also identified two judgemental differences and seven extrapolated differences in valuations; one judgemental difference in relation to the lifetime liability for the PFI for Care Homes; and one turnaround uncorrected misstatement from the prior year. These are set out in more detail in Section 4.

Executive Summary

Areas of audit focus

Our Audit Planning Report and Audit Planning Report Update identified key areas of focus for our audit of the London Borough of Richmond Upon Thames' financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

Audit findings and conclusion: Misstatements due to fraud or error

We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements from the work completed to date.

Audit findings and conclusion: Risk of incorrect capitalisation of revenue expenditure

We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure.

Audit findings and conclusion: Accounting for Public Finance Initiatives (PFI)

We employed the use of our own expert to support our work in relation to the PFI. Our specialist has reported their findings and we are satisfied there is no material misstatement within the balances disclosed.

Audit findings and conclusion: Valuation of land and buildings/investment properties

We employed the use of our own expert to support the work in relation to the valuation of land, buildings and investment properties, and to assess the impact of the material uncertainty issued by the Authority's valuer in their valuation report due to the impact of Covid-19. This identified various amendments to the draft financial statements. Further detail is included in Sections 2 and 4.

Area of audit focus: Pension liability valuation

We tested the Authority's pension liability valuation and assessed the work of the Authority's actuary, Barnett Waddingham. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated.

Area of audit focus: Going concern and events after the balance sheet

We are satisfied that the Authority's use of the going concern assumption is appropriate. However we have worked with the Authority to extend the disclosures on which the assumption is based. We have also reviewed the Authority's disclosure of events after the balance sheet date and requested amendment.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Committee.

Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

Our work in relation to the value for money conclusion is complete. We raised a significant risk within our Audit Planning Report in relation to the Authority's ability to deploy resources in a sustainable manner. We have no matters to report. Please see section 5.

Other reporting issues

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

We have completed our work. The Authority is below the threshold for full assurance procedures and we have no other matters to report.

Independence

We have no independence issues to bring to the attention of the Committee.

Please refer to Section 7 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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

What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages, which reflect the significant fraud risk recognised in this report (the risk of incorrect capitalisation of expenditure).
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks documented on this file.
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
  - Testing journals at year-end to ensure there are no unexpected or unusual postings. This included searching for inappropriate journals posted by senior officers; journals with certain narrative descriptions which may allude to override; journals that do not balance to nil; and material journals posted at year end. We were satisfied that those journals tested did not contain evidence of management override.
  - Undertaking a detailed review of accounting estimates for evidence of bias (such as the valuation of land, buildings and investment property valuation) and substantively testing unusual or unexpected transactions. No evidence of override was identified, and no unusual transaction have been identified from work completed to date.

Significant Risk

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Journal entries subject to specific narrative descriptors, posted at certain times of the financial year or by certain individuals, and journals which exceed certain values;
- Material accounting estimates, such as the valuation of property, plant and equipment and investment property; and
- Unusual transactions anywhere in the financial statements.

What are our conclusions?

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

We have completed our journals testing. We are satisfied that journal entries had been posted properly and for genuine business reasons.

We have reviewed material estimates, such as the valuation of Property, Plant and Equipment and Investment Properties. Our work in these areas resulted in amendment to the financial statements, but no indication of fraud was identified.

There were no unusual transactions identified.

Significant risk

Risk of incorrect capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment (PPE) and Investment Property (IP) or incorrect classification of expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

What judgements are we focused on?

We focused on the Authority's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Authority's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE and IP additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also agreed ensured the transaction was supported by sufficient evidence to verify its value and the period it related to.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period it related to.
- Identified and tested significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year. This provided assurance that the transactions were adequate, supported by evidence and valid.

What are our conclusions?

We have found no evidence of incorrect capitalisation of revenue expenditure in either PPE/IP additions or REFCUS. We were satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was appropriately capitalised or revenue expenditure incorrectly classified as REFCUS.

Our review of journal items provided assurance that the transactions posted were adequate, supported by evidence and valid. To do this, we tested journals which Debit PPE / REFCUS and Credit Expense (all expense codes except capital codes) over a certain value.

We are therefore satisfied there is no material misstatement arising from incorrect capitalisation of revenue expenditure.

Significant Risk

Significant risk

Accounting for Public Finance Initiative (PFI)

What is the risk?

The PFI liability and associated expenditure represent material figures within the Authority's financial statements.

The accounting for the two PFI schemes involves reliance on historic accounting models and a number of judgements. Errors within the models or changes in judgement can have a material impact on the financial statements.

There is a risk the Authority fails to account properly for the PFI contracts. Due to the size and complexity of the PFI and associated transactions, we believe there is potential to have a pervasive impact on the financial statements. We therefore believe the balances represent a significant risk.

What judgements are we focused on?

Last year we obtained and reviewed the PFI contracts and PFI accounting models, to ensure the models continue to correctly reflect the terms of the contracts. We also considered any judgements for reasonableness. This was completed by our PFI specialist.

In last year's Audit Results Report, we reported that our PFI expert found that the accounting models apply real term values and so do not account for the effect of indexation on services and finance costs. Although the in year impact of this was not material, we recommended the Authority reviews the models for future periods to avoid an accumulation of annual variances becoming material.

What did we do?

In response to this risk, we:

- Engaged with our specialist to update our understanding of the PFI schemes and ensure accumulation of these variances to ensure that appropriate action is taken before they become material. Our specialist concluded there was no evidence of material misstatement within the PFI balances reported within the financial statements.
- We reviewed and were satisfied that the Authority's disclosures to ensure that the accounting models are appropriately disclosed and accounted for within the financial statements.

What are our conclusions?

We noted the findings noted opposite in relation to the prior year audit remain relevant. We also found that the Authority's PFI model uses the same interest rate for both the Schools and Care Homes schemes, despite them relating to different assets with different risks. Our specialist ran their calculation of the expected interest rate through a parallel model and compared the resulting accounting entries with those in the financial statements. The differences are not material; the difference arising on the schools PFI is £28k, but over the lifetime of the contract accumulates to £1.7m. These balances do not result in material misstatement of the PFI scheme.

We are satisfied that the PFI disclosures and balances within the financial statements are not materially misstated.

Significant Risk

Significant risk

Valuation of Land and Buildings/Investment Properties

What is the risk?

The nature and complexity of the Authority's asset base, together with the fact a number of errors were identified in the draft 2018/19 accounts, means the valuation of land, buildings and investment property represents a significant risk. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

We focused on those assumptions that directly impact the valuation of these assets – such as the use of information based on areas of the economy under stress (such as retail), location factors, useful lives and estimation of year on year valuation movements. In our 2018/19 audit, we identified a number of material errors relating to property, plant & equipment valuation which were corrected by management.

In light of the market volatility brought about by Covid-19, and the inclusion of a material uncertainty paragraph in the external valuer's report we have determined that the valuation of land, buildings, dwellings and investment properties should be treated as a significant risk.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the use of information based on areas of the economy under stress (such as retail), location factors, useful lives and estimation of year on year valuation movements.

What did we do?

In response to this risk, we initially planned to undertake the following procedures:

- Challenged the assumptions used by the Authority's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation and investments in areas of the economy under stress, such as retail. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer. The work of our EY valuation specialist was extended, as set out on the next page, to consider also the material uncertainty disclosed by Wilks Head & Eve in their valuation report to the Authority which arose due to Covid-19.
- Considered the work performed by the Authority's valuer (Wilks, Head & Eve), and confirmed that the scope of the work performed is adequate, they had the appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued in line with the Authority's 5 year rolling programme had been completed, and that all investment property had been revalued in year as required by the Code.

Significant risk

What did we do? (cont)

- Confirmed the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Assessed those assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

We also undertook the following audit procedures in response to the Covid-19 pandemic:

- Considered the Authority's asset base by type of asset and valuation methodology, as impacts are likely to be more significant for assets valued on the basis of data from market transactions.
- Ensured the appropriate disclosure has been made in the accounts concerning the material uncertainty included in the Wilks Head & Eve report which arose due to the Covid-19 pandemic. We have included an Emphasis of Matter within our audit report to draw the attention of the reader of the accounts to the Authority's disclosure relating to the material uncertainty. We note this is not a qualification of the audit opinion.
- Involved EY Real Estates, our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets which we consider more likely to be impacted by Covid-19. Our valuation specialists undertook a detailed review of a sample of assets valued by Wilks Head & Eve to provide assurance over the above points. They also provided assurance and advice to the audit team in respect of the material uncertainty statement included in the Wilks Head & Eve valuation report.

What are our conclusions?

Our work in response to this risk is complete. We have completed testing on the valuations, additions, disposals, existence, depreciation and impairment of property, plant and equipment.

We employed the use of our own expert to support the work in relation to the valuation of land, buildings and investment properties, and to assess the impact of the material uncertainty issued by the Authority's valuer in their valuation report due to the impact of Covid-19. This identified various amendments to the draft financial statements, which are set out on the following page.

Significant Risk

Areas of Audit Focus

Significant risk

What are our conclusions?

Valuation of PPE and IP properties

EYRE reviewed a sample of the Authority's assets which had been revalued by Wilks Head & Eve. In doing so, EYRE reported judgemental differences in a number of assets. The first, Craneford Way Depot, held within PPE, EYRE concluded was understated by £10.5m; the second, Ham Nurseries, an investment property, was overstated by £5.275m. This results from a difference in the interpretation of the RICS guidance for valuation of land between our specialist and management's specialist, Wilks Head & Eve. These differences were amended in the Authority's financial statements.

We identified that land at Normansfield Avenue had been included on the Authority's Balance Sheet with a value of £4.38m. However, this land is held under a long term lease to a third party at a peppercorn rent and the value within the accounts has therefore been reduced to almost nil to reflect this.

We also identified that the asset valuation for Ambassador House had not been included within the financial statements, totalling £1.54m. This appears to have been an administrative error rather than a valuation difference, and this same error also occurred last year. The financial statements have been amended to include this balance.

In addition to the amended errors in relation to land and buildings and investment property set out above, we also identified judgemental differences in valuations which have not been adjusted. These represent differences in valuation opinion between EYRE and Wilks Head & Eve. Individually, the valuation differences were well below our materiality level. When the difference was extrapolated across assets of a similar nature, the total difference remained below our materiality and reporting threshold. We were therefore satisfied that the valuation was not materially misstated as a result of these differences.

We have concluded that our audit report will include an emphasis of matter paragraph, drawing attention to the material uncertainty included in the valuers report disclosed within Notes 4, 14 and 16 of the financial statements.

Accounting for academy schools

We identified the Authority had retained within their financial statements both buildings and land associated with schools that had become academies. This impacted both the current and prior years and resulted in a prior year adjustment totalling £288m. This amendment was required as the Code states that upon a school achieving academy status, the buildings element should be written out of the balance sheet while the land element should be held at a nominal value to recognise the long term lease of the land to the academy schools.

Our response to areas of audit focus

Disclosures on Going Concern and Events after the Balance Sheet date

What is the risk?

Covid-19: The epidemic has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently no clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in chief financial officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Authority's assessment will also need to cover this period.

Events after the balance sheet date: There is increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure will need to reflect the specific circumstances of the Authority.

What judgements are we focused on?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we have sought a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

Our response to areas of audit focus

What did we do and what are our conclusions?

We held discussions with the Director of Resources and Deputy Chief Executive to understand how the Authority concluded that the use of the going concern assumption was appropriate. Our work included discussion and detailed review of the Authority's updated medium term financial plans and cash flow forecasts, which form the basis of the Authority's consideration of the use of the going concern assumption.

We reviewed your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. In doing this we considered:

- The current and developing operating environment.
- Liquidity (operational and funding).
- Mitigating factors.
- Management information and forecasting.
- Sensitivities and stress testing.

The draft accounts did not include a detailed disclosure on going concern. Officers have used the assessment of the impact of Covid-19 on the Authority's finances to draft a new going concern disclosure note. We have scrutinised the financial assessment, cashflow, liquidity and borrowing forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We reviewed and further challenged the revised going concern disclosure, which appears in Note 1.2 to the accounts, and are satisfied that it is an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis. We considered the need to draw the attention of a reader of the accounts to the Authority's updated disclosure through the inclusion of an emphasis of matter paragraph in our audit report, but have ultimately concluded this is not necessary.

We considered whether the Authority's disclosures for events after the balance sheet date were appropriate and challenged whether the disclosure in the draft financial statements was required. This resulted in amendment to the disclosure in Note 6: Events after the Balance Sheet date to remove reference to Covid-19 as it can be considered an event that occurred prior to the Balance Sheet date.

Our response to areas of audit focus

Further details on procedures/work performed

Pension liability valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Wandsworth Borough Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. For 2019/20, we also recognise the fact that a full triennial valuation of the fund is being undertaken.

We reviewed the Authority's IAS 19 reports which were used to prepare the financial statements and noted they were based upon information submitted to the actuary in February 2020 – including asset valuations. We asked the Authority to consider whether there was likely to be a material impact on the IAS 19 report between February and the end of March 2020 and we concluded it was likely. Further developments have occurred in respect of consultations in respect of the McCloud ruling and the Goodwin judgement of 30 June 2020. The Authority requested revised IAS 19 reports from the Actuary, which were provided to the audit team mid-September. These reports have taken into account the impact of the McCloud judgement. The impact of Goodwin is not material. We have reviewed these updated reports and are satisfied that they are appropriate and properly reflected in the revised financial statements. We have assessed the work of the actuary, including the assumptions they have used, by relying on the work of PWC - consulting actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.

We have reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19. We obtained an IAS19 assurance letter from ourselves (EY) as the auditor of Wandsworth Pension Fund enabling us to conclude our work.

We also requested that the EY pension audit team undertake testing on the data submitted to the actuary as part of the triennial review. This testing found no issues to report.

Our response to areas of audit focus

Further details on procedures/work performed

Dedicated Schools grant

We did not recognise this item as a risk in our Audit Planning Report or our Update. However, the fact that the Authority holds a negative Dedicated Schools Grant (DSG) reserve was referred to in our value for money risk (as shown later in this report).

The value of the negative reserve as at 31 March 2020 was £14.8 million and therefore exceeds our performance materiality level.

We have included the DSG reserve as a separate area of audit focus. In early September 2020, a meeting was held with representatives from London Boroughs, audit firms, CIPFA, MHCLG, the Department for Education (DfE) and the NAO to discuss the future treatment of such negative reserves. This resulted in further guidance being expected on the accounting treatment to be adopted.

MHCLG have recently provided a draft statutory instrument which indicates there will be a statutory override applicable from 1 April 2020. The intention of this is to categorise DSG as an unusable reserve. This override is not retrospective in application; however, we have reviewed the disclosure within the financial statements in line with the guidance set out in CIPFA Bulletin 05. We have requested additional narrative to be added to ensure compliance with this guidance.

Our response to areas of audit focus

Further details on procedures/work performed

Group Accounting

The Authority prepares group accounts which consolidate the financial statements of its two subsidiaries; Achieving for Children (AfC) and Orleans House Trust (OHT). Both subsidiaries contain accounting entries and balances that can be considered material or significant to the group, and we classified these as specific scope audits. As a result, we undertake a programme of work to ensure the balances from the two subsidiaries have been properly consolidated. We have included our scoping slides from the Audit Planning Report in Appendix E. These have been updated to clarify our audit approach.

Achieving for Children (AfC):

For AfC we requested that Grant Thornton, as auditors of the entity, undertake a programme of work and we sought assurances from them to ensure the 2019/20 financial statements do not contain material misstatement which may arise within the consolidated financial statements.

The auditor finalised their audit procedures in November 20200 and reported to us on 27 November 2020. There were no issues within the reporting from Grant Thornton to report, and there is no material misstatement impact on the consolidation of associated balances.

Orleans House Trust (OHT):

OHT contains one balance which is considered material to the group financial statements – the valuation of the Orleans House Trust Gallery building. As this is the only material balance, rather than requesting a programme of work over the financial statements from the auditor of OHT, we have undertaken a programme of work ourselves to ensure the valuation of this building asset is not materially misstated. This includes the use of an EY specialist to consider the valuation of the asset as at 31 March 2020 provided by the Authority's valuer, Wilks Head Eve, and provide assurance to us that the valuation approach is reasonable and balance they have provided is not materially misstated.

Our specialist's reporting has not identified any significant issues relation to the valuation. We are satisfied there is no material misstatement arising from the consolidation of associated balances.

03 Audit Report

Audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of London Borough of Richmond upon Thames for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the: Authority Comprehensive Income and Expenditure Statement, Authority Balance Sheet, Authority Movement in Reserves Statement, Authority Cash Flow Statement and the related notes 1 to 47; Collection Fund and the related notes; and the Consolidated Group Accounts comprising the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Movement in Reserves Statement, and Group Cash Flow Statement.

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 2019/20.

In our opinion the financial statements:

• give a true and fair view of the financial position of London Borough of Richmond upon Thames and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and

• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 for the audit of the financial statements section of our report below. We are independent of the London Borough of Richmond upon Thames 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 the Comptroller and Auditor General's AGN01, 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.

Emphasis of matter – Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 4 Sources of estimation uncertainty, Note 14 Property, plant and equipment and Note 16 Investment Property which describe the valuation uncertainty the Authority is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

• the Director of Resources and Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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• the Director of Resources and Deputy Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Accounts for the year 2019/20, other than the financial statements and our auditor's report thereon. The Director of Resources and Deputy Chief Executive 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, London Borough of Richmond upon Thames put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

• in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;

• we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

• we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

• we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

• we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

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• we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Resources and Deputy Chief Executive

As explained more fully in the Statement of the Responsibilities set out on page 12, the Director of Resources and Deputy Chief Executive 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 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Resources and Deputy Chief Executive is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our 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.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether the London Borough of Richmond upon Thames had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Richmond upon Thames put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of London Borough of Richmond upon Thames in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of London Borough of Richmond upon Thames, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Richmond upon Thames and the London Borough of Richmond upon Thames's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton

January 2021

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

We have identified the following audit differences which have been corrected:

- Accounting for Academy schools: we identified the Authority had retained both buildings and land associated with schools that had become academies. This impacted both the current and prior years and therefore resulted in a prior year adjustment totalling £288m. This amendment was required as the Code states that upon a school achieving Academy status, the buildings element should be written out of the balance sheet while the land element should be held at a nominal value to recognise the long term lease of the land to the academy schools.
- A judgemental difference was identified relating to the valuation of two assets. The first, Craneford Way Depot, held within PPE, was understated
- by £10.5m; the second, Ham Nurseries, an investment property was overstated by £5.275m. This results from a difference in the interpretation of the RICS guidance for valuation of land between our specialists and management’s specialist, Wilks Head & Eve.
- We also identified a further balance where the asset valuation for Ambassador House had not been included within the financial statements, totalling £1.54m. This same error also occurred last year.
- We found that land at Normansfield Avenue had been included on the Councils Balance Sheet with a value of £4.38m. This land is held under a long term lease to a third party at a peppercorn rent. The value within the accounts has therefore been reduced to almost nil to reflect this.
- The Authority requested an updated IAS19 report to reflect the market conditions and asset valuations as at 31 March 2020. This increased the pension liability by £14.1m.
- Understatement of Housing Benefit Subsidy income for Rent Allowances properties to the value of £0.87m. This credits income and debits debtors by the same amount.
- The analysis of Liquidity Risk in Note 39 - Nature and Extent of Risks Arising from Financial Instruments has been revised to include all contractual commitments (e.g. future interest liabilities). These had been excluded from both the current and prior years. As both years require amendment, a prior period adjustment has also been made to update the 2018/19 balances.

A small number of other additions and amendments were also made to disclosures appearing in the financial statements as a result of our work, which included additional narrative at Note 1.2 Going Concern, setting out the Authority’s Covid-19 going concern impact assessment.

The following audit differences have not been amended:

- In addition to the amended errors in relation to land and buildings and investment property set out above, we also identified two judgemental differences and seven extrapolated differences in valuations; one judgemental difference in relation to the lifetime liability for the PFI for Care Homes; and one turnaround uncorrected misstatement from the prior year. These are set out in more detail on the next page.

Audit Differences

Summary of unadjusted differences

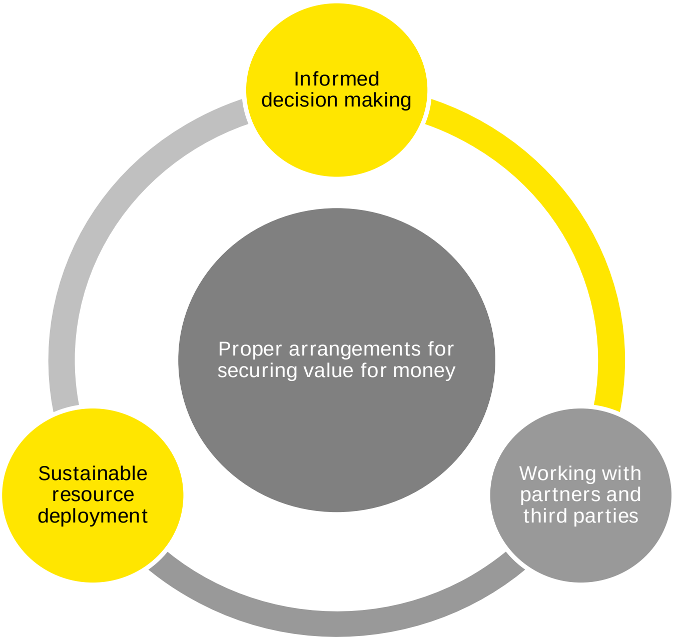
In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit, Standards &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

Uncorrected misstatements 31 March 2020 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Errors					
Projected differences:					
• Extrapolated differences for those assets similar to those tested by EY Real Estate. These assets are similar in nature to those where judgemental differences arose. • Total • Property, plant & equipment (PPE) • Investment property	1,162		(932) (230)		
Judgemental differences:					
• Differences in valuation of assets arising between EY Real Estate and Wilks Head & Eve for sampled assets. • Total • Property, plant & equipment (PPE) • Investment property	1,513		(660) (853)		
Balance sheet totals			(2,765)		
Income effect of uncorrected misstatements (before tax)	2,765				
Cumulative effect of uncorrected misstatements before turnaround effect	2,765		(2,765)		
Turnaround effect. See Note 1 below.	560	(560)			

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2020. Note 1: turnaround effect is the impact of uncorrected misstatements identified in the prior period, on results of the current period.

05 Value for Money

Value for Money



Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020, the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19.

This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider local authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year. Only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion. No additional risk has been identified.

Overall conclusion

We identified one significant risk around these arrangements in respect of the Authority's ability to deploying resources in a sustainable manner.

Our work in relation to this risk complete. We reviewed the Authority's updated medium term financial plans and budgetary forecasting, which have recently been finalised, and the Authority's treatment of the negative Dedicated Schools Grant Reserve.

We were satisfied that we have no matters to report in respect of the Authority's Value for Money conclusion. Our detailed findings are set out on the next page.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risk areas in our audit planning report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
The Authority is not able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	Deploy resources in a sustainable manner	We completed the following work. Reviewed and assessed the updated assumptions within the Authority's 2020/21 budget and Medium Term Financial Strategy, including the savings aimed at reducing future funding gaps We have obtained the Authority's medium term financial strategy and the budget documents. We reviewed those assumptions included within each and challenged the reasonableness of each. We note these assumptions and the budgets themselves were also challenged by the Authority's Finance, Policy and Resources Committee in September 2020. The strategy includes updated considerations regarding the impact of Covid-19 on the Authority's finances. We are satisfied that the assumptions included within each document are not unreasonable, but recognise there is uncertainty over the impact of Covid-19 in both the short and medium term. Reviewed the outturn position against budget for 2019/20 and the Authority's financial position at 31 March 2020 The outturn position for 2019/20 was outlined in the Revenue and Capital Outturn 2019/20 paper taken to the Finance, Policy and Resources Committee on 29 June 2020. The report confirmed that the Authority recorded a net underspend of £0.4 million (or 0.3% of the 2019/20 Council Tax Requirement). This represents the net position across the Authority, before a £2.4 million one -off receipt of gain from 2018/19 retained NNDR income, and a gain from the London Business Rates Pooling of £2.2 million. As with previous years, there was a net overspend of Dedicated Schools Grant (DSG) of £3.9 million. This led to a transfer to the financial resilience reserve to provide a buffer against the growing DSG deficit. The remaining underspend was transferred to the financial resilience reserve. The Covid-19 pandemic has meant that the planned use of a £917k contribution to capital and a treasury underspend of £1.2 million have also been transferred to the financial resilience reserve to provide additional resilience. A remaining £0.8 million has been used to increase the general fund to a total value of £10.753 million. We are satisfied the Authority has appropriate arrangements in place to manage its financial position. We set out further consideration of the DSG position on the following page.

Value for Money

What are our findings?

Understanding the nature, impact and any possible developments regarding the DSG shortfall and the negative reserve.

The Authority has presented, for a number of years, a separate reserve (Dedicated Schools Grant Reserve) to reflect the overspending by schools and effectively represents a deficit balance which the schools have incurred due to the cost of funding special education needs (SEN) exceeding the funding made available by central government. We have reviewed the disclosures in line with the requirements of the CIPFA Code, specifically CIPFA Bulletin 05, and requested the Authority includes some additional disclosure in the final version of the financial statements.

In March 2019 the Education and Skills Funding Agency issued a document titled "Dedicated Schools Grant (DSG) Deficit Recovery Plans". The guidance was prepared for local authorities and states that "all local authorities that have a cumulative DSG deficit of 1% or more at the end of a financial year are required to submit a recovery plan outlining how they will bring their deficit back into balance in a three-year time frame". We have confirmed that the Authority submitted a recovery plan in line with the required guidance and recognise the ongoing work by officers to come to a resolution to the DGS/SEN reserve issue and ensure this is fully factored into future plans.

In early September 2020, a meeting was held with representatives from London Boroughs, audit firms, CIPFA, MHCLG, the Department for Education (DfE) and the NAO to discuss the current position, specifically for those councils with significant deficits in comparison to available reserves. This resulted in further guidance being expected on the accounting treatment to be adopted. DfE outlined early plans for more sustainable solutions to the underlying issues. CIPFA and MHCLG were asked to develop further guidance, which is now published in draft. This confirms the intention to provide a statutory override which will be applicable from 1 April 2020. This statutory override is expected to provide the required assurances that the Authority will not be liable to fund the negative reserve from its General Fund and therefore would not have an impact on our value for money conclusion.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the accounts for the year 2019/20 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. We have concluded that: ➢ Financial information in the accounts for the year 2019/20 and published with the financial statements was consistent with the audited financial statements. ➢ The Annual Governance Statement is consistent with other information from our audit of the financial statements.

Whole of Government Accounts
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The National Audit Office (NAO) released the group audit instructions in relation to the Whole of Government Accounts in November 2020. These instructions confirm that for 2019/20, the Authority is below the threshold for which detailed audit procedures need to be completed. We will therefore issue our audit certificate at the same time as our audit report.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

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

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

Prior to issuing our audit report, we completed an internal consultation process which resulted in the inclusion of an emphasis of matter paragraph in respect of the material valuation uncertainty related to the Authority's land, buildings and investment property. As previously noted in this report, we had extensive discussions with management in relation to going concern which resulted in increased disclosures within the financial statements.

We have nothing to report in respect of the remaining items.

07 Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Planning Report dated 28 January 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit and Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit, Standards and Statutory Accounts Committee in March 2021.

Our fees below do not include the scale fee review which is currently underway with PSAA to agree whether the scale fees for Local Government need to be rebased to account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA remain ongoing.

	Final Fee 2019/20	Planned Fee 2019/20	Final Fee 2018/19
	£	£	£
Scale Fee – Code work	70,952*	70,952	70,952
Additional procedures – Code work	TBC*	0	5,235***
Non-audit work – Grant claims:			
– base fee	7,502	7,502	7,502
– 40+ testing arising due to errors identified	TBC**	TBC**	11,570
Total	TBC**	TBC**	19,072
Total fees	TBC	TBC	95,259

Confirmation and analysis of Audit fees (continued)

* The final fee for our Code work will be confirmed upon completion of the audit. We will report the final fee in relation to the audit to the Audit, Standards and Statutory Accounts Committee in our Annual Audit Letter. For 2019/20, the final fee has been impacted by a range of factors which has resulted in additional work. We set out an estimate of the potential additional fee for this below which we will discuss in detail with the Director of Resources and Deputy Chief Executive and will be subject to approval by PSAA:

- The need to engage EY Real Estate to review a sample of valuations of investment properties and other land and buildings valued on the basis of existing use value assets, 16 assets in total.
- Review of additional disclosures that were required in relation to going concern.
- Use of PFI specialists to review and conclude on the Council's PFI accounting models.
- Additional work in respect of the Authority's Value for Money significant risk.

**We have been contracted to undertake agreed upon procedures (AuP) by the Authority in order to certify the housing benefit subsidy claim. We started these procedures in December 2020. The final fee charged for this work will be dependent upon the level of error and additional testing we are required to undertake in response. This level of work varies year on year and we cannot provide a reliable estimate at this stage.

***The fee for the 2018/19 Code additional procedures of £5,235 was not agreed by officers and remains in discussion with the PSAA for approval.

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

On the previous slides, we have included a summary of the fees that are due to us in relation to the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included in the slides above.

This includes our certification of the Authority's Housing Benefit claim, the fee for which is reported on the previous slide.

We confirm that none of the services listed has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit, Standards and Statutory Accounts Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit, Standards and Statutory Accounts Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020

08 Appendices

Audit approach update

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

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

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

There were no significant changes to our audit approach from the prior year.

Appendix B

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Senior Manager has been in regular contact with the Director of Resources and Deputy Chief Executive and the corporate finance team in respect of the Fund's risks, accounts closedown and the audit approach.
Once per month	Meeting	The Senior Manager and Associate Partner have met regularly with the Director of Resources and Deputy Chief Executive on a monthly basis throughout the year to discuss audit and Fund matters up to the date of issue of this report.
24 October 2019 6 February 2020 29 October 2020	Audit, Standards and Statutory Accounts Committee	The Associate Partner and/or Senior Manager have attended those meetings of the Audit, Standards and Statutory Accounts Committee noted opposite through the financial year and to the date of issue of this report. Specific reports issued and communications with the Committee are detailed in Appendix C.

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

Appendix C

Required communications with the Audit, Standards and Statutory Accounts Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit, Standards and Statutory Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – February 2020 Audit, Standards and Statutory Accounts Committee.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – February 2020 Audit, Standards and Statutory Accounts Committee. Audit Plan Update – August 2020.
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the Audit, Standards and Statutory Accounts Committee include: • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit, Standards and Statutory Accounts Committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant	Audit planning report – February 2020 Audit, Standards and Statutory Accounts Committee. Audit Plan Update – August 2020. Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee.
Misstatements	• Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee.
Subsequent events	• Enquiry of the Audit, Standards and Statutory Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee.
Fraud	• Enquiries of the Audit, Standards and Statutory Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit, Standards and Statutory Accounts Committee responsibility.	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – February 2020 Audit, Standards and Statutory Accounts Committee. Audit Plan Update – August 2020. Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Audit, Standards and Statutory Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Standards and Statutory Accounts Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit planning report – February 2020 Audit, Standards and Statutory Accounts Committee. Audit Plan Update – August 2020. Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee
Fee Reporting	• Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit planning report – February 2020 Audit, Standards and Statutory Accounts Committee. Audit Plan Update – August 2020. Audit results report – October 2020 Audit, Standards and Statutory Accounts Committee

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Helen Thompson
Ernst & Young LLP
Grosvenor House,
Grosvenor Square,
Southampton
SO15 2BE,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of the London Borough of Richmond upon Thames ("the Group and Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of the London Borough of Richmond upon Thames as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Group and Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in

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the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

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

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

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

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic. We have made available to you all minutes of the meetings of the Group, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date] and of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

3. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

4. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

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5. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

6. From the date of our last management representation letter dated 15 November 2019 through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 42 to the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no subsequent events , including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group transactions amongst council and its subsidiary undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Statement and Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H, Going Concern

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

I. Ownership of Assets

1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet.

J. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the useable and unusable reserves.

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K. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

(1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners and examinations by taxing authorities none of which involves any allegations of non-compliance with laws or regulations that should be considered for disclosure in the consolidated and council financial statements or as a basis for recording a loss contingency.

L. Use of the Work of a Specialist

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

M. Estimates

Valuation of Land, Buildings and Investment Properties Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the valuation of land, buildings and investment properties estimate appropriately reflect our intent and ability to provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

Public Finance Initiative (PFI) Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the PFI estimate appropriately reflect our intent and ability to provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

IAS 19 Pensions Liability Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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2. We confirm that the significant assumptions used in making the IAS 19 Pensions Liability estimate appropriately reflect our intent and ability to provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimates is complete, including the effects of the COVID-19 pandemic on the valuation and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council financial statements due to subsequent events.

N. Retirement benefits

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

Yours faithfully,

____

(Director of Resources and Deputy Chief Executive)

____

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

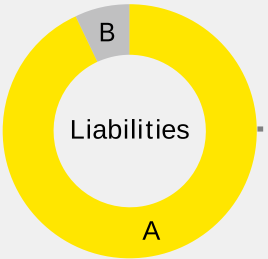
Appendix E

Scoping the group audit

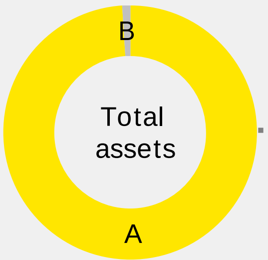
In our audit planning report we included those slides in Appendix E (this slide and the subsequent slide). We have updated our narrative to clarify our audit approach in relation to each of the subsidiaries but have not changed our audit approach.

Total assets & total liabilities

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's total assets and total liabilities.



96% of the group's total liabilities will be covered by full scope audits, with the remainder covered by specific scope audits.



99% of the group's total assets will be covered by full scope audits, with the remainder covered by specific scope audits.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Details of specified other procedures

- Both the Orleans House Trust and Achieving for Children joint venture will be covered by a work programme to cover the specific scope of each audit.
- In order to respond to the significant risk identified in relation to valuation of land and buildings, we reviewed the valuation of the asset, rather than requesting the auditors of Orleans House Trust to perform specified procedures on our behalf. We consider this to be the most efficient manner to obtain this assurance.
- The Achieving for Children's joint venture includes a material value of liabilities. We will therefore seek assurance over these liabilities from the component auditor.

Appendix E

Scoping the group audit

The below table sets out the scoping details of all components. We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each component. We have updated this slide from the version issued in the audit plan to confirm that Orleans House Trust and Achieving for Children are significant by risk, but not by size.

Detailed scoping						
In scope entities	Scope	Statutory audit performed by EY	Coverage		Current year rationale for scoping	
			Total assets	Total liabilities	Size	Risk
London Borough of Richmond-upon-Thames	Full	✔	99%	95%	Yes	Yes
Orleans House Trust	Specific		1%	0%	No	Yes
Achieving for Children	Specific		0%	6%	No	Yes
TOTAL FULL & SPECIFIC SCOPE			100%	100%		

EY | Assurance | Tax | Transactions | Advisory