



# Runnymede Borough Council

Audit Completion Report: Year ended 31 March 2020

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# Welcome

## Introduction

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This report is our Audit Completion Report to the Standards and Audit Committee of Runnymede Borough Council. The original audit plan was presented on 17 March 2020. While the fundamental objectives of the audit remain the same, the National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audits in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared an updated Audit Completion Report to communicate our disclaimer opinion and any areas where we were unable to obtain all the necessary audit evidence due to insufficient time to perform all required audit procedures by the backstop date.

This report is an integral part of our communication strategy with you. It summarises the overall audit strategy for the year ended 31 March 2020 in respect of our audit of the financial statements and use of resources; comprising materiality and key audit risks. It also summarises the results of our audit of Runnymede Borough Council for the year ended 31 March 2020, including areas requiring further discussion and/or the attention of the Standards and Audit Committee. We look forward to discussing these matters with you at the Standards and Audit Committee meeting on 27 November 2025, and to receiving your input. In the meantime, if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank management and staff of Runnymede Borough Council for the co-operation and assistance provided during the audit.

**Steve Bladen, Key Audit Partner**

For and on behalf of **BDO LLP**

25 November 2025



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# Overview

## Audit scope and objectives

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Reporting	Objectives
<b>Auditing standards</b>	We have performed our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
<b>Local Audit Reset and Recovery Implementation Guidance (LARRIGs) and Codes of Audit Practice</b>	We have performed our audit in accordance with LARRIGs and the Code of Audit Practice 2015 and Code of Audit Practice 2024 published by the National Audit Office.
<b>Financial statements</b>	We will express an opinion on Runnymede Borough Council's financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2019/20 and other directions.
<b>Additional powers and duties</b>	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to Runnymede Borough Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
<b>Use of resources</b>	We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:  <i>"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".</i>

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## Executive summary

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This summary provides an overview of the audit matters that we believe are important to the audit of the financial statements for Runnymede Borough Council for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

### Responsible financial officer (RFO)

The Accounts and Audit Regulations 2015 require the S151 Officer, as RFO, to sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates; and
- that authority's income and expenditure for that financial year.

Our audit of the financial statements does not relieve the RFO nor those charged with governance of their responsibilities for the preparation of the statement of accounts.

### Overview

Our audit of Runnymede Borough Council's financial statements for the year ended 31 March 2020 is now complete.

No restrictions were placed on our work by management.

years leading to a persistent and significant backlog of audit opinions. Across England, the backlog of outstanding audit opinions stood at 771 at 31 December 2023 and is estimated to increase to around 1,000 later this year. In February 2024, the Department for Levelling Up, Housing and Communities published 'Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit'. This joint statement confirmed that:

*"The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution".*

The factors contributing to the delay in issuing an audit opinion on the financial statements of Runnymede Borough Council for the year ended 31 March 2020 include, but are not limited to:

- increased regulator expectations on auditors
- difficulties in attracting, developing and retaining staff to perform local audit work
- the impact of the Covid-19 pandemic
- the work we have undertaken to address our concerns regarding the lawfulness of transactions relating to the acquisition of commercial property

Over the last year, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

# Overview

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To clear the backlog of historical accounts and 'reset' the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 ('the backstop date'). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

The backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Consequently, this prevents us from meeting the overall objectives of an audit as set out in ISA (UK) 200 '*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*'. Therefore, the backstop date has created circumstances which require us to consider modifying our opinion on Runnymede Borough Council's financial statements.

### Significant difficulties encountered during the audit

ISAs (UK) require us to report to you any significant difficulties we have encountered during the audit. As previously outlined, the backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Therefore, the backstop date represents a significant difficulty that we have encountered during the audit.

The Accounts and Audit (Amendment) Regulations 2024 required Runnymede Borough Council to publish audited financial statements for the year ended 31 March 2021 by 13 December 2024. We could not issue our opinion by the backstop date due to further investigation into the lawfulness of the Council's decision to borrow to invest in commercial property.

### Audit report

The Accounts and Audit (Amendment) Regulations 2024 require Runnymede Borough Council to publish audited financial statements for the year ended 31 March 2020 by 13 December 2024. We have not able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by this date. As a result, we are unable to conclude that Runnymede Borough Council's financial statements for the year ended 31 March 2020 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Therefore, we anticipate issuing a disclaimer of opinion on the financial statements.

### Use of resources

We have issued an adverse conclusion on the Council's arrangements for securing economy efficiency and effectiveness. This is mainly due to the issue around the legality of the council's decision to acquire commercial property using borrowed funds. This means that we have been unable to conclude that in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

### Independence

We confirm that the firm and its partners and staff involved in the audit are independent of Runnymede Borough Council in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

# The numbers

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This summary provides an overview of the audit scope and materiality for the year ended 31 March 2020.

### Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties. Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

### Materiality

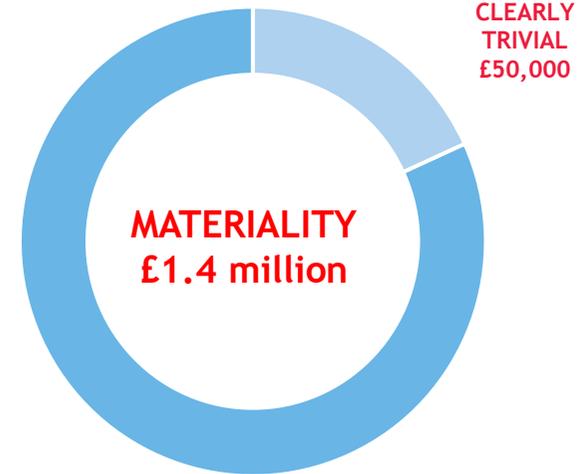
Materiality for the Council has been set at 1.75% of gross expenditure for the period and is outlined in the adjacent chart. For reporting purposes, we consider misstatements of less than £50,000 to be trivial unless the misstatement is indicative of fraud.

### Council's responsibilities

The S151 Officer, as the RFO, is responsible for the preparation of the Statement of Accounts and for being satisfied that these show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances. Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

### Misstatements

We could not obtain all the necessary audit evidence to complete our audit due to time constraint imposed by the backstop date. However, the audit work completed to date identified audit differences that have been adjusted by management. We also identified audit differences that have not been adjusted by management based on materiality. We have reported adjusted and unadjusted audit differences identified to date in this report.



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As Group auditor we are required to design an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion ISA (UK) 600. A high-level overview of how we have designed the Group audit strategy is summarised below to ensure you have clear oversight of the scope of the work we intend to perform on each entity.

Audit Risks, covered later in this report, are cross referenced to each entity to provide clarity over how these arise within your business and where the focus of the audit work will be.

The clearly trivial threshold for the Group has been set at the Group level at £50,000.

Entity	Nature of operations	Audit classification	Reason for classification	Audit risks	Component materiality	Overall audit strategy	Work performed and results
Runnymede Borough Council	Provides district council services	Significant parent entity	Size and risk Expenditure £86m	All risks	£1.4 million	Statutory audit performed by BDO LLP.	See below
RBC Investments (Surrey) Limited	Residential property	Non-significant component	Size and risk	Valuation of non-current assets	N/A	Financial statements for these components are subject to a statutory audit by CSL Partnership Ltd.	See below
RBC Services (Addlestone One) Ltd	Property maintenance	Non-significant component	Combined expenditure of these components is <£1.3m	N/A	N/A	In performing our audit of the Council's group financial statements, we will not place reliance on the work of CSL Partnership Ltd.	See below
RBC Heat Company Ltd	Heat and light power generation	Non-significant component		N/A	N/A		See below

## Work performed and results

We are required to provide you with an overview of the:

- type of work to be performed on the financial information of the components
- nature of our planned involvement in the work to be performed by the component auditors on the financial information of significant components.

The backstop date has created time constraints that have impeded us from:

- determining the type of work to be performed on the financial information of the components
- planning our involvement in the work to be performed by the component auditors on the financial information of significant components
- completing all necessary procedures in response to the audit risks identified, which means that we were unable to obtain sufficient, appropriate audit evidence in respect of these risks.

# Overview of risks

As identified in our Audit Planning Report dated 17 March 2020, we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team. We have removed the risk of IFRS 16 for this reporting period due to its deferred implementation. We have changed the allowance for non-collection of receivables to a significant risk following the COVID-19 pandemic and increased pressure on businesses and individuals to pay back debt owed. We have also included the disclosure of going concern as a significant risk as the pandemic has changed the landscape of the Council's financial position and this will need to be clearly referenced in the Statement of Accounts narrative.

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Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	No
Revenue and expenditure recognition	Significant	No	No	No	No	No
Valuation of non-current assets	Significant	Yes	Yes	Yes, adjusted	No	Yes
Valuation of pension liability	Significant	Yes	Yes	No	No	Yes
Allowance for non-collection of receivables	Significant - moved to significant from normal since planning	Yes	No	No	No	No
Disclosure of going concern	New significant risk	Yes	No	No	No	Yes
Use of resources (Sustainable finances)	Significant	Yes	No	No	No	No
Use of resources (Egham Gateway West Development)	Significant	No	No	No	No	No

  Areas requiring your attention



# Risk 1

## Management override of controls

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	C	E	A	V	P	2019/20	2018/19
Management override	✓	✓	✓	✓	✓	All transactions and balances	All transactions and balances

### Risk description

- ▶ ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

### Work performed and results

We carried out the following planned audit procedures:

- ▶ Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals;
- ▶ Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias. This included non-domestic rates (NDR) appeals provision and non-collection of receivables;
- ▶ Evaluated whether there were any significant transactions outside the normal course of business, or that otherwise appeared unusual;
- ▶ Reviewed unadjusted audit differences for indications of bias or deliberate misstatement;

- ▶ Tested a sample of additions to non-current assets and investment properties to ensure correct classification; and
- ▶ Tested journals relating to the acquisition of non-current assets and investment properties.

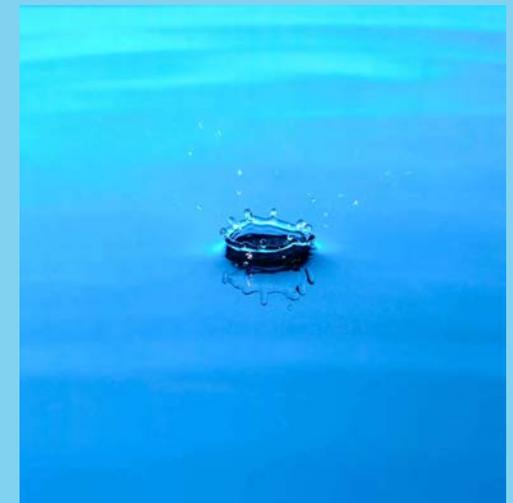
### Results

We have assessed and corroborated significant management estimates and judgements in the following key areas:

- Valuation of land and buildings (see page 19)
- Pension liability (see page 24)
- Non-domestic rates appeals provision (see page 12)
- Non-collection of receivables (see page 16)
- Accruals (see page 12)
- Depreciation/Amortisation (see page 13)

We have found no evidence of management override or bias for these estimates to date.

- Significant risk
- Elevated risk
- Moderate risk
- Fraud risk
- Significant management estimates & judgements





# Risk 1

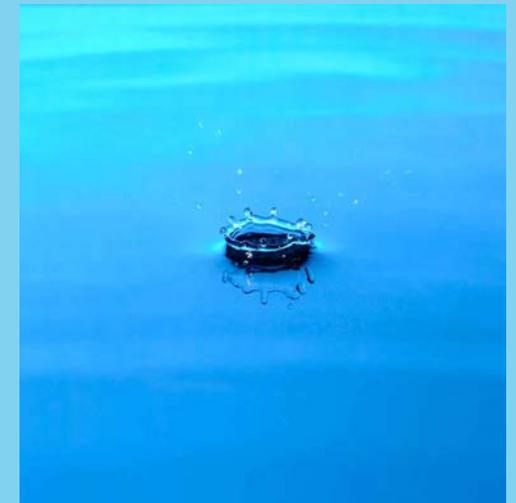
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### Discussion and conclusion

Our conclusion on this matter is based on the audit procedures performed up to the backstop date. The time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

- |   |
|---|
| ● Significant risk                              |
| Elevated risk                                   |
| Moderate risk                                   |
| ● Fraud risk                                    |
| ● Significant management estimates & judgements |





# Risk 1

## Management override of controls

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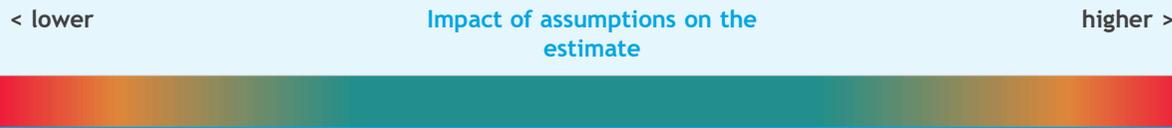
### Non-domestic rates appeals provision

#### Overview and discussion

The Council recognises a provision for business rate appeals of £1.04 million, with the total provision for the Collection Fund being £2.59 million. The Council performs their own in-house assessment to calculate the provision, based on outstanding records provided by the Valuation Office.

As part of our audit procedures, we obtained and reviewed the updated provision calculation as at March 2020. Management have used a success rate of 5.69% to base the potential future outlay against the collection fund. This has increased from the prior year when a percentage of 2.5% was used for the success rate. Based on the settled claim success rate we are satisfied with this percentage.

No issues were identified by our testing. Our conclusion on this matter is based on the audit procedures performed up to the backstop date. The time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

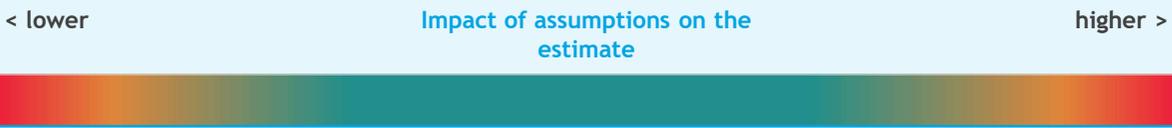


### Accruals

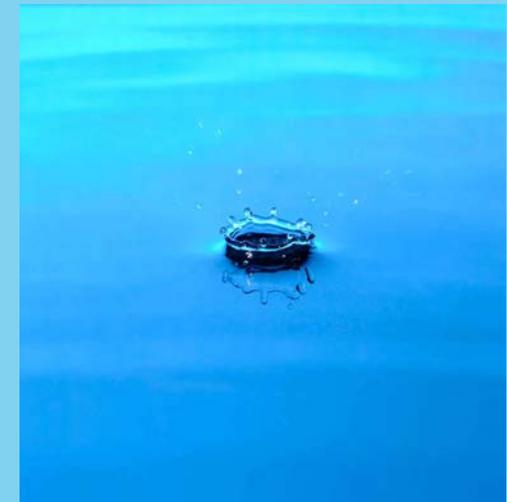
#### Overview and discussion

The Council recognises accruals at the reporting period date split in the Trade payables and Other payables balances in the Statement of Accounts. The biggest accrual recognised is for interest payable at £3.2m. Other accruals recognised include annual leave entitlement at year end of £315k. The Council uses judgements and estimates to calculate accruals recognised for any expenditure relating to the current year for which payment has not been made by the reporting period end.

We tested accruals within our payables testing. We did not identify any unreasonable estimates and no issue have been identified as a result of our testing. Our conclusion on this matter is based on the audit procedures performed up to the backstop date. The time constraints imposed by the backstop date may have limited our ability to identify all potential issues.



● Significant risk
Elevated risk
Moderate risk
● Fraud risk
● Significant management estimates & judgements





# Risk 1

## Management override of controls

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### Depreciation and amortisation

#### Overview and discussion

In the 2019/20 accounts the Council charged £6.4 million in depreciation and £106k in amortisation to the CIES.

The depreciation charged represented an increase of £2.3 million on the charge in 2018/19. This was related to an increase in depreciation charged on Council Dwellings. Council Dwellings were revalued as at 31 January 2020. While the valuation of the some beacons increased, the useful economic lives of these assets did not, resulting in an increased depreciation charge compared to the prior year.

We tested a sample of depreciation charges in the year to ensure the calculation is correct and the useful economic lives are reasonable.

Our testing has did not identify any issues. Our conclusion on this matter is based on the audit procedures performed up to the backstop date. The time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

< lower Impact of assumptions on the estimate higher >



● Significant risk
Elevated risk
Moderate risk
● Fraud risk
● Significant management estimates & judgements





# Risk 2

## Fraud in revenue recognition

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	C	E	A	V	P	2019/20	2018/19
<b>Revenue and expenditure recognition</b>		✓	✓				
<p><b>Risk description</b></p> <p>Under auditing standards there is a presumption that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition to be in respect of the accuracy and existence of investment property income and grant income where there are conditions attached to recognition of the grant.</p> <p>In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to the cut-off of expenditure, where our testing will be focussed.</p> <p><b>Work performed</b></p> <p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"> <li>▶ We tested an increased sample of revenue grants included in net cost of services income to documentation from grant paying bodies and checked whether there was any recognition criteria to meet;</li> <li>▶ We tested an increased sample of investment property income to supporting documentation, including lease agreements, contracts and rent reviews;</li> </ul>							
<p><b>Results</b></p> <p>We sample tested the grants received in year, including the material receipts. None of these grants had conditions attached to their provision. The main grant received by the Council is the DWP grant for housing benefit subsidy of £19.5 million. Other grants received from Homes England and Surrey County Council had no conditions attached.</p> <p>Through our extended testing on investment property income and expenditure around the year end we did not identify any errors. We also did not identify any errors through our testing of manually accrued expenditure at the reporting period end.</p> <p>We tested an increased sample of expenditure items around the reporting period end. We did not identify any issues with the recognition of cut-off in expenditure.</p>							

- Significant risk
- Elevated risk
- Moderate risk
- Fraud risk
- Significant management estimates & judgements





# Risk 2

## Fraud in revenue recognition

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### Discussion and conclusion

Our audit work did not identify any issues. Our conclusion on this matter is based on the audit procedures performed up to the backstop date. The time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

- |   |
|---|
| ● Significant risk                              |
| Elevated risk                                   |
| Moderate risk                                   |
| ● Fraud risk                                    |
| ● Significant management estimates & judgements |





# Risk 3

## Allowance for non-collection of receivables

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C E A V P	2019/20	2018/19	
Allowance for non-collection of receivables	✓	£0.3 million	£0.1 Million

### Risk description

The Council recognises an allowance for the non collection of receivables (arrears and debt), primarily in respect of council tax, non domestic rates, housing benefit overpayments, housing rents and parking charges.

The Council assesses each type of receivable separately in determining how much to allow for non collection. There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

We upgraded this to a significant risk from a normal risk. We have identified the impact of COVID-19 as having a potentially significant impact on the bad debt allowance recognised in the accounts. There is significant risk that this has been under estimated in the current climate and has not allowed for the very real issues of debt collection in an environment where many businesses may not be able to pay their debts to the Council at all.

### Work performed

We carried out the following planned audit procedures:

- For receivables that are excluded from IFRS 9, we reviewed the provision model to assess whether it appropriately reflected historical collection rates by age of debt or arrears; and
- For all other receivables and intra group loans to subsidiaries, we reviewed the provision model to assess whether it included appropriate assumptions for expected credit losses.

### Results

Our review of the appropriateness of the allowance for non-collection of receivables is noted on the following pages with details of the estimates and our view of their reasonableness.

We are content with the models used by the Council for the recognition of bad debt allowances.

The Council have appropriately considered the effects of COVID-19 on businesses, government and individuals and built this into their calculations for non-collection of debts.

### Discussion and conclusion

Our audit work did not identify any issues. Our conclusion on this matter is based on the audit procedures performed up to the backstop date. The time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

● Significant risk
Elevated risk
Moderate risk
● Fraud risk
● Significant management estimates & judgements





# Risk 3

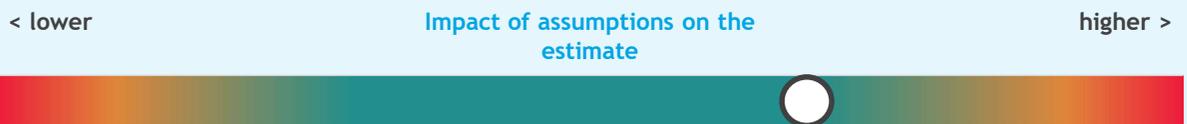
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### Council tax arrears (total collection fund £2.084 million and the Council's share £381k)

The Council has recognised an allowance for non-collection in relation to its share of the council tax arrears of £214k against its share of the arrears of £381k (total collection fund arrears is £2.084 million). The Council's provision has increased by £30k from the prior year, with the ratio of allowance for non-collection increasing from 54% to 56%. The provision is estimated using historic collection rate information from last 4 years.

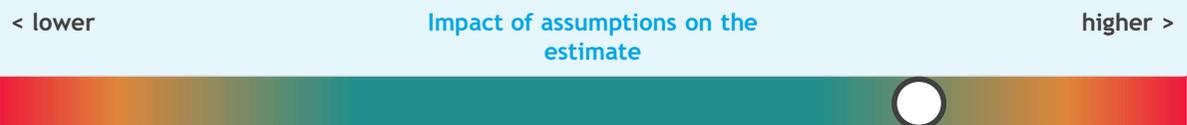
We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of arrears.



### NDR arrears (Total collection fund £748k and the Council's share £299k)

The Council has recognised an allowance for non-collection in relation to its share of the NDR business rates arrears of £241k against its share of the arrears of £299k (total collection fund arrears is £748k). The Council's provision has increased by £70k from the prior year. The Coronavirus pandemic has meant that many businesses will struggle with solvency during 2020/21. As a temporary measure for 2019-20, the uncollectable % of the outstanding arrears cases has been increased to 100% (was 95%) for 2017/18, 95% for 2018/19 (was 80%) and doubled to 70% for 2020/21 (was 35%).

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of arrears.



● Significant risk
Elevated risk
Moderate risk
● Fraud risk
● Significant management estimates & judgements





# Risk 3

## Allowance for non-collection of receivables

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### General Debtors (£3.25 million)

The Council has recognised an allowance for non-collection of general debtors of £1.29 million on total debt of £3.25million. This has increased by £97k from the prior year. The provision is estimated using a year end aged debtors report alongside a judgemental recovery scale based upon historical recovery information. The Council has also assessed the expected credit loss impairment by making an adjustment for future losses. They have considered how COVID-19 would have impacted businesses going forward particularly their ability to keep to rental agreements. In Q2 2020 the Council had collected 80% of expected income from investments, well above the national average.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.



### Council tenants arrears (£400k)

The Council has recognised an allowance for non-collection of Council Tenant Arrears Debt of £252k on total debt of £400k. This has increased by £53k from the prior year. The provision is estimated using a year end aged debtors report alongside a judgemental recovery scaled provided based upon historical recovery information.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.



- Significant risk
- Elevated risk
- Moderate risk
- Fraud risk
- Significant management estimates & judgements





# Risk 4

## Valuation of land and buildings

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	C	E	A	V	P	2019/20	2018/19
Property, Plant & Equipment				✓		£415.7 million	£403.6 million
Investment property				✓		£522.7 million	£478.8 million

### Risk description

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. At 31 March 2020, the Council held dwellings of £291 million, other land and buildings of £74 million, and investment property of £523 million.

Valuations of property assets are complex, and the estimates and judgments made by management have a significant impact on the value of those assets. We also note that the Council changed its valuer in 2019/20.

We consider there is a significant risk over the valuation of these assets due to the high degree of estimation uncertainty and management judgement.

### Work performed

We carried out the following planned audit procedures:

- ▶ Considered the adequacy of the work performed by the Council's valuer, including the scope of their work;
- ▶ Reviewed the valuer's skills and expertise to

determine if we can rely on management's expert;

- ▶ Reviewed the assumptions used by the valuer;
- ▶ Tested source data used by the valuer to supporting documentation (for example, rental agreements / site plans);
- ▶ Tested the basis of valuation used in year was appropriate;
- ▶ Tested movements in the valuation of assets against relevant indices for similar classes of assets, and valuation movements that appeared unusual; and
- ▶ Confirmed that assets not subject to valuation in 2019/20 have been assessed to ensure their reported values remain materiality correct at the balance sheet date.

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements





# Risk 4

## Valuation of land and buildings

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### Results

In year, the Council appointed Wilks, Head & Eve (WHE) to carry out the expert valuation of properties for the reporting period date 31 March 2020.

The valuer carried out the valuation as at 31 January 2020, they then provided market data and analysis to index their valuations to 31 March 2020.

We assessed the valuer's competence, independence and objectivity and determined we could rely on the management expert. We reviewed the valuations provided and the valuation methodology applied and, in all cases confirmed that the basis for valuations is appropriate and in accordance with the requirements of the Code.

We tested the input data used by the valuer back to available source information and also tested valuation movements against independent benchmarking data showing indices of price movements for similar classes of assets. We followed up valuation movements that appeared unusual against indices, or any assets which had material movements since the last valuation. We also confirmed that any non-current assets not revalued in year had been assessed to confirm their value was materially correct at the reporting period date.

**Council dwellings - £291 million (2018/19: £294 million)**

The Council dwellings portfolio was subject to a valuation by the new valuer in 2019/20. They are recognised on an Existing Use Value - Social Housing (EUV-SH) basis which is broadly based on the vacant possession value. This is subsequently adjusted by a factor of 33% to reflect the difference between private open market rent and social rent at a regional level. The valuer has applied the beacon methodology in determining the valuation of the portfolio. The portfolio is divided in Asset Groups which reflect the areas properties are located. Similar properties within Asset Groups are then divided into "Archetypes". Each Archetype will then have a beacon property assigned which is the representative base value for that Archetype group.

As the valuation of the portfolio was at 31 January 2020, the valuer provided a market review to indicate the level of change between the valuation date and the reporting period date (31 March 2020). The valuer confirmed that the likely movement in the portfolio valuation was between 0% and 0.5%. We assessed comparative data and concluded that there was unlikely to be a material movement between the valuation date and the reporting period end date. We are satisfied with the valuer's work and explanations provided.

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements





# Risk 4

## Valuation of land and buildings

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### Investment property - £523 million (2018/19: £479 million)

Investment properties are valued at fair value (highest and best use) usually based on the current and future potential rental yields. The Council must also adhere to the requirements of IFRS 13 which sets out a fair value hierarchy based on the category of inputs used in deriving a valuation. In a change from the prior reporting period, the Council have designated their investment property as being derived from Level 2 inputs - quoted prices other than quoted prices in Level 1 that are observable for the asset. Previously the Council disclosed that valuations were based on Level 3 input data, i.e. unobservable inputs where there is little market data or market activity. This change has not impacted on the either valuation brought forward or the updated valuations for 2019/20. We are content with this change in disclosure and are in agreement that there is sufficient observable inputs to determine the valuation.

The whole of the Council's investment portfolio was subject to a valuation as at 31 January 2020. As part of our testing we agreed rental values used in the calculations to signed rental agreements and obtained explanations of any variances. We also set expectations for the yield prices using benchmark data and compared these to figures used in the valuer's calculations.

After removing the impact of acquisitions in year (Honeywell House) the value of investment property increased by £11.2 million. The majority of this valuation gain related to two properties: Pine Tree Estate Business Park and Addlestone One, Market which had a combined gain of £11.8

million. We challenged the valuer on the judgements used in the calculation and found that lower yields in perpetuity were used because the properties were of a high standard, in demand, a good location and had established occupiers.

We are satisfied the assumptions applied in the valuations are reasonable.

### Other land and buildings - £74 million (2018/19: £81 million)

Other land and buildings are measured at fair value, determined as the amount that would be paid for the asset in its existing use (EUV) or if the asset is of a specialist nature then it is measured at Depreciated Replacement Cost (DRC). The other land and buildings assets were not revalued in year. The valuer provided an average indexation loss for the period 1 April 2019 to 31 March 2020 of -4% as part of their market review. The biggest asset this applied to was Egham leisure centre which lost £781k off its valuation.

Initially the Council had not included this adjustment to the asset values in the draft accounts presented for audit. On discovery of this indexation provided by the valuer, management have put through an adjustment to recognise the drop in value, this amounted to a fall of £1.6 million and has been reflected in the final accounts.

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements





# Risk 4

## Valuation of land and buildings

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As these assets were not revalued in year we conducted our own assessment based on available market data over the past three years (some assets were last revalued in 2016/17). We are satisfied that the valuations recorded are reasonable for the Council.

### Surplus assets - £29 million at Group level (2018/19: £ 29 million)

The surplus assets were revalued at the group level in year. These assets are recorded as surplus assets because they will be sold by the Council in the future and include the Addlestone One development as well as the properties held by the subsidiary RBCI.

We have tested the input details provided to the valuer back to source documentation as well as reviewing the key assumptions and judgements applied by the valuer in assessing the value of these assets. We have also confirmed that there has been no profit or loss recognised on disposals that would have to be adjusted in the Group accounts.

On consolidation the Group accounts recognise the investment property from RBCI as 'surplus assets' because residential properties should not be recognised as investment property according to the Code. They are not operational assets as the intention is to sell these properties. We have reviewed this treatment and are content that it is in-line with Code requirements.

### Vehicles, plant, other equipment and community assets - £9.8 million (2018/19: £10.3 million)

These assets are all held at historic cost with no revaluation in year. There have been minimal amounts of movement in these asset categories in year with minimal additions. Community assets are mainly open spaces and recreation land, with an element (£4.8 million) held at historical cost but not depreciated because it is deemed to have an indefinite useful economic life. The Council review the position annually to ensure the carrying value of assets is not materially different to the current value and they use the market review conducted by the valuer to inform this.

We are content with this recognition criteria and assessment made by the Council.

### Assets under construction - £27.8 million (2018/19: £3.7 million)

The value of Assets Under Construction increased significantly over the reporting period by £24.1 million. Major spending in year include expenditure on the Egham Regeneration project (£9.3 million) and the purchase of the Chertsey Depot centre and development costs (£11.5 million). These assets are measured at cost and not depreciated until the asset becomes operational.

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements





# Risk 4

## Valuation of land and buildings

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We are content with the classification of this expenditure as an Asset Under Construction.

### Discussion and conclusion

Apart from the matters noted above, our audit work did not identify any issues. Our conclusion on this matter is based on the audit procedures performed up to the backstop date. The time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

● Significant risk

Elevated risk

Moderate risk

Fraud risk

● Significant management estimates & judgements





# Risk 5

## Valuation of net pension liability

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	C	E	A	V	P	2019/20	2018/19
<b>Net pension liability</b>				✓		£46.2 million	£46.7 million

### Risk description

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The Council's pension fund deficit at 31 March 2020 was £46.1 million (2018/19: £46.6 million).

The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate will be based on the submission of membership data from the 2019 triennial valuation exercise, updated at 31 March 2020 for factors such as mortality rates and expected pay rises. There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability.

Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

### Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the competence of the management expert (actuary);
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewed the controls in place for providing accurate membership data to the actuary;
- Contacted the pension fund auditor and requested confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and
- Checked that any significant changes in membership data have been communicated to the actuary.

● Significant risk

Elevated risk

Moderate risk

Fraud risk

● Significant management estimates & judgements





# Risk 5

## Valuation of net pension liability

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### Results

Our review of the reasonableness of the assumptions used to calculate the present value of future pension obligations is noted on the following page.

We have agreed the disclosures in the accounts to the information provided by the actuary. We found one disclosure error that has been corrected by management.

We have received a response from the pension fund auditor in response to our request for assurances over the controls operated by the administering authority over the accuracy of the membership data and the information communicated to the actuary to support the liability valuation at 31 March 2020. This provides assurance that controls over pensions data and information provided to the actuary are adequate.

### Discussion and conclusion

Apart from the matter referred to above, our audit work did not identify any issues. Our conclusion on this matter is based on the audit procedures performed up to the backstop date. The time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements





# Risk 5

## Valuation of net pension liability

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### Gross pension liability £137 million (2018/19: £148 million)

The Council's pension liability has decreased from £147.959 million to £137.219 million, and it's share of the scheme assets also decreased from £101.36 million to £91.101 million. The net deficit decreased slightly by £481k to £46.118 million.

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	<i>Actual used</i>	<i>Acceptable range</i>	<i>Comments</i>
<b>Financials:</b>			
- CPI increase	1.90%	1.80 - 2.00%	Reasonable
- Salary increase	2.80%	1.80 - 2.90%	Reasonable - short term assumption of +1%
- Pension increase	1.90%	1.80 - 2.00%	Reasonable
- Discount rate	2.30%	2.30%	Reasonable
Commutation	25%/63%	25 - 75%	Reasonable - pre-2008 25% and post-2008 63%
<b>Mortality:</b>			
- Male current	22.9 years	21.6 - 23.3	Reasonable
- Female current	25.7 years	24.6 - 26.3	Reasonable
- Male retired	22.1 years	20.5 - 22.2	Reasonable
- Female retired	24.3 years	22.9 - 24.3	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate) with Club Vita local adjustments		Reasonable

We consider that the assumptions and methodology used by the Council's actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range.



- Significant risk
- Elevated risk
- Moderate risk
- Fraud risk
- Significant management estimates & judgements



# Risk 6

## Disclosure of going concern

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	C	E	A	V	P	2019/20	2018/19
Going Concern					✓		

### Risk description

In normal circumstances we are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern. Due to the current COVID-19 pandemic there has been a significant impact on income for councils across England. This has led to the need for re-evaluation of the short and medium term budgets and cash flows in order to continue to deliver key services for the public.

### Work performed

We planned to undertake the following audit procedures:

- ▶ Review the budgets and cash flow forecasts for indications of going concern issues; and
- ▶ Review any required going concern disclosures in the financial statements to ensure they set out any potential impacts of material uncertainties.

### Results

Our work in relation to going concern is complete. We have no matters to bring to your attention. Our conclusion on this matter is based on the audit procedures performed up to the backstop date. While we have no reason to

believe that further procedures would have altered our conclusion, the time constraints imposed by the backstop date may have limited our ability to identify all potential issues.

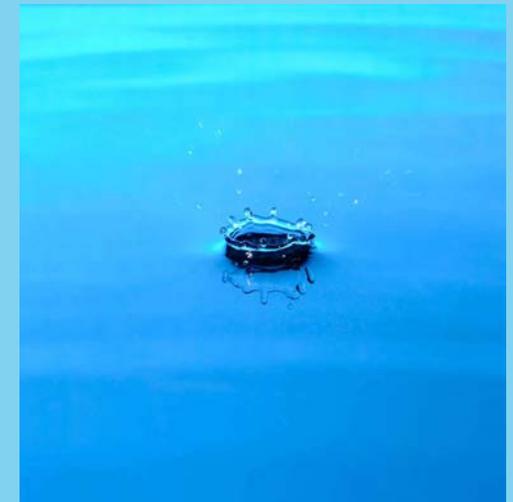
● Significant risk

Elevated risk

Moderate risk

Fraud risk

Significant management estimates & judgements





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The following are additional significant and other matters arising during the audit which we want to bring to your attention:

Issue	Comment
Prior period error - overstatement of investment property.	Management have corrected an error in the 2018/19 accounts. This relates to a movement of £1.731million from the investment property balance to property, plant and equipment. The matter arose due to the group accounts not being updated when adjustments were made to the Council balance sheet. This correction did not impact on the value of net assets held by the authority.
We identified a misstatement due to the actuary using an estimate for pension fund assets rather than actuals. RBC's net share of asset reduction has been calculated for the estimated impact on the net liability. This would have the impact of increasing the pension liability by £383k and reducing the pension reserve by the same amount.	Management has not updated the accounts to adjust for this error on the basis of materiality.
We noted that an updated lease agreement for an investment property was not provided to the valuers which would have increased the valuation of the property. This would have the impact of increasing the value of investment properties and the investment property revaluation reserve by £167k.	Management has not updated the accounts to adjust for this error on the basis of materiality.
A café owned by the Council was unexpectedly included within the subsidiary investment property revaluation. The revaluation decreased the property value but due to timing, this was not updated in the accounts. This would have the impact of reducing land and buildings valuation by £229k reducing the revaluation gain by the same amount.	Management has not updated the accounts to adjust for this error on the basis of materiality.
The valuation for the RBCI investment property of St Judes Cottage excluded the valuation of one flat leading to an understatement of PPE and revaluation reserve by £372k.	Management has not updated the accounts to adjust for this error on the basis of materiality.
We noted that the calculated interest payable based on external confirmations was lower than the amounts recorded in the accounts. This meant borrowings and finance expenditure were overstated by £125k.	Management has not updated the accounts to adjust for this error on the basis of materiality. We have reported it as an unadjusted error.



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The following are additional significant and other matters arising during the audit which we want to bring to your attention:

Issue	Comment
<p>We noted that specialised assets held in other land and buildings in PPE that had an indexation of -4% suggested by the valuer. This was incorrect and we suggested management to amend for these. The impact was a decrease in revaluation reserve and the value of other land and buildings by £1.6m.</p>	<p>Management has updated the financial statements to correct this error.</p>
<p>A café owned by the Council was unexpectedly included within the subsidiary investment property revaluation. This has led to an overstatement of the Group balance sheet which has double counted the café. We suggested management to amend for the double counting which meant an increase in the finance expenditure and a corresponding decrease In Property, Plant and Equipment by £533K.</p>	<p>Management has updated the financial statements to correct this error.</p>
<p>Our review of the draft accounts identified a number of presentational misstatements, including:</p> <ul style="list-style-type: none"> <li>- The HRA provision figure of £268,750 was updated in the accounts;</li> <li>- The percentage of HRA rent in arrears was initially disclosed incorrectly and should have been 2.1% as now updated in Note 41;</li> <li>- The borrowings table showing maturity ages between 5 and 10 years was overstated by £10k and the category showing maturity ages between 10 and 15 years was understated by £10k in the draft accounts;</li> <li>- Current value of short-term creditors was updated to £17,784k in Note 18;</li> <li>- NNDR ratepayers were included in the financial instruments short term debtors in the draft accounts in Note 18. A total of £229k was removed from this disclosure note;</li> <li>- Long-term debtors and short-term debtors figures were updated to be disclosed separately in Note 18 financial instruments;</li> </ul>	<p>Management has amended the financial statements for this matter.</p>



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The following are additional significant and other matters arising during the audit which we want to bring to your attention:

Issue	Comment
<p>Our review of the draft accounts identified a number of presentational misstatements, including:</p> <ul style="list-style-type: none"> <li>- The impairment of council dwellings of £1.3 million in Note 13 was updated in Note 36 to ensure both disclosure notes agreed;</li> <li>- The pension disclosure in Note 33 was updated to reflect the correct signs for the movement;</li> <li>- The Council as a lessor note was updated as it did not agree to supporting documentation;</li> <li>- Reference to the transition to IFRS 9 has been removed as this is no longer relevant;</li> <li>- Note 18 - The short-term debtors and short-term investments have been amended to £4,152k and £44,909k respectively;</li> <li>- The wording around credit risk in Note 18 has been modified;</li> <li>- Note 16 - Investment property note refers to 'the following table', however, the table is on the previous page; and</li> <li>- Extra narrative included in the Group Accounts to disclose the prior period adjustment.</li> </ul>	<p>Management has amended the financial statements for this matter.</p>

# Control Deficiencies

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Standard and Audit Committee. The matters set out on the following pages are those that we identified from our work up to the backstop date. The backstop date has created time constraints that have impeded us from performing procedures which may identify such deficiencies. In any event, as the purpose of the audit is for us to express an opinion on Runnymede Borough Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As noted on pages 37 - 39 of our report, we have reported our concerns around the Council's decision to acquire commercial property using borrowed funds. At the time the Council acquired this property, the Council's arrangements lacked robust internal controls to ensure legality about borrowing to invest outside the borough.

Area	Observation & implication	Recommendation	Management response
Assets not revalued in year	<p>The Council obtained a valuation in year on the investment properties, surplus assets and the council dwellings. The Council employs a 4-year rolling programme for asset revaluations, except for investment properties which are revalued every year. At each reporting period end an assessment of the fair value of all properties under the revaluation model must be made. We found one error (see significant risk on other land and buildings valuations page 18) where an indexation update, provided by the valuer, had been missed.</p> <p>Without a formal assessment there is a risk that there are material differences between the reported asset values and actual values.</p>	<p>The Council should conduct a formal assessment of the fair value of the asset portfolios at the reporting period end. The Council do this in practice but there is no evidence to support this review. We would suggest a formal assessment is prepared and reviewed to offer members assurance that the asset values at reporting period end are not materially misstated.</p>	Noted.

## Other Deficiencies: ITGCs

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Area	Observation & implication	Recommendation	Management response
Application administrator / super user access - Privileged-level access to IT Application - Total Finance	<p>We determined that the elevated IT role within Total Finance application is assigned to the following finance users and thus the application access was not restricted appropriately to IT Administrators leading to lack of segregation of duties and a risk of fictitious accounts and/or assigning inappropriate access:</p> <ul style="list-style-type: none"> <li>• Individual A: Corporate Head of Finance, System owner</li> <li>• Individual B: Accountant, System Administrator</li> <li>• Individual C: Accountant, System Administrator</li> </ul>	Where possible, elevated/IT privileged access should be restricted to appropriate and authorised IT team members. Alternatively, robust auditing should be enabled to monitor user activities and ensure accountability of user actions within the system.	Management fully accept the risks of the current set-up but will look to bring in additional controls and will review the current set-up as part of the implementation of a new Financial Management System once procured.
Access for terminated or transferred users is removed or modified in a timely manner - Total Finance	We were unable to obtain the audit trail for the access deprovisioning process and therefore, could not determine whether leavers are removed timely and appropriately from the system.	Leaver process should be triggered in a timely manner to ensure timely access revocation to prevent account misuse. Audit trail should be maintained to evidence the timely removal of access.	Noted. New procedures to be drafted as part of the implementation of a new Financial Management System once procured”

# Follow up of prior year deficiencies

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Area	Issue and impact	Original recommendation	Management response
Cash reconciliations	<p>Cash and bank account reconciliations are currently excessively complicated and performed by one staff member by hand.</p> <p>This is not deemed to be the most efficient method for reconciling cash accounts and there is a higher risk for human error that won't be picked up at the review phase. The knowledge information on the performance of these reconciliations is also locked with one person and this is currently not easily transferrable.</p>	<p>A review into the process would be recommended with the output to enable the a more streamlined but no less effective reconciliation process that reduces the risk of human error and can be transferred to other officers when needed.</p>	<p>Officers will review the process once the new Income Management System is fully implemented.</p> <p>Accepted.</p>
Property valuations	<p>There were some difficulties this year in the year end property valuation process. Miscommunication between the Council and the valuers meant that a lot of assumptions had to be built into the valuation report. These assumptions were then queried by the Council when the valuation report was received. Without effective dialogue between the Council and the valuers there is a risk that valuation figures are materially incorrect in the financial statements.</p>	<p>We are aware that the valuation contract is up for renewal. We would encourage the Council to ensure processes are in-place to create an effective dialogue between the Council and the valuers.</p> <p>We suggest the Council also creates an effective in-house communication line between all relevant parties including Commercial Services and Finance.</p>	<p>The new Corporate Head of Assets and Regeneration has taken over responsibility for liaising with the external valuers to streamline the communication process.</p> <p>This recommendation is considered closed.</p>
Property valuations	<p>There is inherent uncertainty in applying indices over 5 years for council dwelling valuations and 'spot checks' should be undertaken on a sample of Beacons each year.</p>	<p>We recommend that the valuer undertakes some 'spot checks' each year on a sample of Beacons to confirm that there has not been any material drift in the valuations in the dwellings between the formal valuations.</p>	<p>The external valuer now provides the Council with a post year end Market Review Report for the local area which includes Housing. Appropriate adjustments to the valuations are made for any significant movements.</p> <p>This recommendation is considered closed.</p>

# Matters requiring additional consideration

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## Laws and regulations, including fraud

LARRIG 04 '*Auditor reporting requirements under ISA(UK) 250A (Consideration of Laws and Regulations in an Audit of Financial Statements) and reporting in the public interest*' confirms that irrespective of backstop arrangements, if as part of the audit, the auditor identifies actual or suspected non-compliance with laws and regulations, the auditor is required by the ISAs (UK) to investigate and report on these matters.

Our ability to identify non-compliance with laws and regulation that may have a material effect on the financial statements is based on procedures performed during the course of the audit, which have been curtailed as a consequence of backstop arrangements.

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

As noted elsewhere in our report, the Council engaged in borrowing to invest for profit. In our view, and supported by our own legal advice, is unlawful, as the property did not serve any functional purpose or development within the Council's area. Further details of this matters are set out on pages 37 - 39 of our report.

## Significant matters in connection with related parties

We are required to report to you significant matters arising during the audit in connection with Runnymede Borough Council's related parties. The backstop date has created time constraints that have impeded us from performing procedures which may identify such matters.

We did not identify any significant matters in connection with Runnymede Borough Council's related parties

## Financial reporting

We are required to communicate to you our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The backstop date has created time constraints that have impeded us from considering significant qualitative aspects of Runnymede Borough Council's accounting practices. We therefore have no views to communicate to you in this regard.

## Significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. The backstop date has created time constraints that have impeded us from performing procedures which may identify such deficiencies. In any event, as the purpose of the audit is for us to express an opinion on Runnymede Borough Council's s financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

# Special reporting powers and duties

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## Matter

We are required to report if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit
- we make a written recommendation to the Authority 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
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

## Comment

We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 because the backstop date has created time constraints that have impeded us from completing all necessary procedures in response to this reporting requirement.

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



# Use of resources

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## Overview

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting 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".*

There are three sub criteria that we consider as part of our overall risk assessment:

- ▶ Sustainable resource deployment
- ▶ Informed decision making
- ▶ Working with partners and other third parties.

## Significant risks

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources:

Additionally, after the issue of the planning report, the issue of the legality of the council's decisions to borrow and invest in commercial property became an area of significant interest to us.

## Conclusion

We have issued an adverse conclusion on the Council's arrangements for securing economy efficiency and effectiveness. This is mainly due to the issue around the legality of the council's decision to acquire commercial property using borrowed funds.

This means that we have been unable to conclude that in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances (use of resources)	Sustainable resource deployment	Significant	No issues identified which impacted conclusion.
Egham Gateway West Development (use of resources)	Sustainable resource deployment/Informed decision making/Working with partners and other third parties	Significant	No issues identified which impacted conclusion.





# Legality of commercial property acquisitions

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## Risk description

The Council borrowed funds from the Public Works Loan Board to acquire commercial properties, which was part of its Property Investment Strategy. The Council's intention was to generate a sustainable income and acquire premises that would aid future regeneration and place shaping schemes.

In advance of commencing its programme of commercial property acquisitions, the Council obtained legal advice from a Queen's Counsel in 2014 to ensure that they were acting lawfully.

That legal advice centred on how local authorities can use the available legal framework to invest in commercial property for generating income. This advice drew from several legal frameworks, including the Localism Act 2011, Local Government Act 2003, Local Government (Best Value Authorities) (England) Order 2009, and Local Government Act 1972.

The Council therefore applied the legal advice to engage in commercial activities, by borrowing and investing for financial management as detailed in the initial property investment strategy.

Information in the public domain seemed to contradict the legal basis of the council's approach and we therefore sought out independent legal advice on the matter from a King's Counsel. The advice was particularly focused on the acquisition of Honeywell House, an office building in Bracknell, outside of the Borough of Runnymede.

The legal advice we obtained considers three questions: whether the Council had the power (vires) to enter into the transaction, whether it exercised any powers properly, and whether it had lawful regard to statutory guidance. Our legal advice considered the acquisition as two separate transactions; the acquisition of the property and the borrowing to fund the purchase price of the asset.

The following was considered with regards to the first two questions on vires and exercising of powers:

- Localism Act 2011 - General power of competence

A council acting for a purely commercial purpose can rely on the general power of competence only if it acts through a company. The Council bought this property directly and cannot therefore rely on this argument to support exercising their General Power of Competence.

- Local Government Act 2003 (LGA 2003) borrowing and investment powers

Section 1 permits borrowing only for (i) purposes relevant to the authority's functions or (ii) the prudent management of its financial affairs. Section 12 permits investment for the same two purposes. It was considered that section 12 can in principle cover investment in commercial property for return, even outside the area, but in this case, that would not be for a functional purpose under section 12(a). Borrowing simply to invest for profit is not borrowing for the 'prudent management' of financial affairs under section 1(b), and an investment funded solely by such borrowing is not an investment for prudent management under section 12(b)





# Legality of commercial property acquisitions

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Accordingly, LGA 2003 powers do not authorise borrowing to fund a pure investment of this kind.

- Local Government Act 1972 section 120 (land acquisition power)

The Council referred to this act in a report to the Corporate Management Committee. Section 120 allows land acquisition for the authority's functions, or for 'the benefit, improvement or development' of its area.

The purchase of the office building was not a functional acquisition. In our view the Council appears to have treated 'benefit' as including improved general finances to fund services and regeneration. Our legal advice considers that to be too indirect. The phrase 'benefit, improvement or development' looks to a direct, identifiable advantage arising from how the land is used, occupied or worked, not to financial gain from onward letting or sale to fund unrelated services.

In conclusion on the first two questions asked earlier on powers and whether the powers were exercised properly, our advice supports that local authorities may undertake pure commercial property investment funded by borrowing only by relying on the general power of competence and acting through a company. The Council acquired this property directly when it did not possess the powers to do so and we deem it to have acted unlawfully.

In addition to the basic question of lawfulness, we have considered whether in making these investments the Council had regard to statutory guidance. Under LGA 2003 section 15, the Council had to have regard to relevant guidance: the CIPFA Prudential Code 2017, DCLG's 2018 Guidance on Local Government Investments, and CIPFA's Treasury Management Code.

Both the Prudential Code and the Investments Guidance state: "Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". The Honeywell House transaction goes against this statement. Therefore, our conclusion is that the Council failed to have lawful regard to statutory guidance.

The advice obtained by the Council did not consider the nuance around investing in commercial endeavours from borrowed funds. The advice covers principally if a local authority has the powers to invest but completely ignores the fact that the Council would be borrowing to make these commercial investments.





# Legality of commercial property acquisitions

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## Conclusion on the legality

Having considered the commercial investments highlighted in this report, the key points regarding the Council's investment powers and compliance with relevant laws can be summarised as follows:

1. **Investment powers:** The Council relied on sections 1 and 12 of the Local Government Act 2003 for its commercial property investment. However, these powers are deemed insufficient for freehold acquisitions aimed at profit, as borrowing simply to invest for profit does not constitute prudent management of financial affairs.
2. **Conditions for lawful use:** Our view is that borrowing money simply to invest at a profit does not meet the conditions for lawful use of investment powers under the Local Government Act 2003. Therefore, the freehold acquisition is deemed unlawful.
3. **Interpretation of legislation:** Borrowing for profit does not fall within the scope of the Local Government Act 2003. The Act does not provide unlimited power to borrow, and borrowing to invest for profit is not considered prudent management of financial affairs.
4. **Compliance with code guidance:** The Council was required to have regard to statutory guidance, including the CIPFA Prudential Code and the Department for Communities and Local Government's Guidance on Local

## Significant weakness

Our assessment reveals a significant weakness in the arrangements surrounding the freehold commercial property acquisition using borrowed funds. The Council engaged in borrowing to invest for profit, which in our view, and supported by our own legal advice, is unlawful, as the property did not serve any functional purpose or development within the Council's area. This situation underscores the importance of ensuring the Council has the necessary powers and complies with statutory guidance when making investment decisions of that nature. At the time of acquisition, the arrangements lacked robust internal controls to ensure legality about borrowing to invest outside the borough.

While the Council obtained legal advice before acquiring the properties, the advice was limited in that it did not explore the specifics of the Council's intentions, especially the aspect of borrowing in advance of need. This undermined the Council's ability to make informed decisions regarding borrowing for an asset acquisition outside the borough, highlighting a significant weakness in resource arrangements for decision-making.

After the acquisition in March 2020, the Council has not made any further commercial property acquisitions, and this matter is therefore limited to the year ended 31 March 2020.



# VFM risk 1 - Sustainable Finances

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## Risk description

The financial environment in which the Council operates continues to be challenging and presents a number of risks to the financial sustainability of the Council. The Council's latest Medium Term Financial Strategy identifies a savings gap of £4.8 million over the period 2020/21 - 2023/24. These savings are in addition to the £6.5 million of savings realised by the Council in recent years.

Since 2015 the Council has invested over £400 million in commercial asset acquisitions. The objective of this has been two-fold - firstly to acquire assets as part of a long-term place shaping and regeneration strategy, and secondly to generate a sustainable income stream to both fund its regeneration strategy and replace significant reductions in the level of government funding received by the Council since 2009/10. The Council's investment strategy carries with it increased risk and exposure to an economic downturn, arising for example, from factors such as Brexit (and as a consequence, a reduction in the yield available from commercial property).

## Work performed

We undertook the following audit procedures:

- ▶ Reviewed the assumptions used in the Medium-Term Financial Strategy, including the cost pressures applied, reductions in Government grant, and the level of commercial income;
- ▶ Reviewed the delivery of budgeted savings in 2019/20; and
- ▶ Reviewed the strategies to close the budget gap after 2020/21.

## Results

We have reviewed the MTFS and the assumptions used and are content that these are reasonable.

The council made a larger surplus in the general fund compared to budget of £1.037m in 19/20, with actual contribution of £8.492m to the GF working balance per the 19/20 accounts. This was due to various underspends as a result of the council limiting expenditure to maintain frontline services and delaying appointment to vacant posts where possible.

Operating costs on commercial property reduced and rental income was above expectations.

No evidence that the council did not have arrangements to secure economy, efficiency and effectiveness in its use of resources with regard to sustainable resource deployment.

The Council had appropriate arrangements in place to ensure that it can substantially deploy resources in the medium term.



# VFM risk 2 - Egham Gateway West development

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## Risk description

Egham Gateway West is one of several phases of the Runnymede Regeneration Programme - the Council's £200 million investment and redevelopment initiative which will upgrade the area's town centres, improving infrastructure and public facilities.

In December 2019, the Council commenced work on the Egham Gateway West project, a £90 million pound redevelopment of Egham town centre that will create a new public square, shops, a cinema, student accommodation, and more than 100 new homes, providing further options for local people, and those who would like to relocate. Main building works are set to complete in late summer 2021. The project represents a significant commitment in terms of the Council's strategic, operational and financial priorities.

## Work performed

We undertook a detailed review of the project and focussed on the following criteria:

- The quality of the Council's decision making process, in particular the quality of the information provided to Members when taking decisions in relation to the project;
- The extent to which the Council has sought and considered relevant technical, legal and independent professional advice to inform any decisions it made in considering the business case for this development;

- The extent to which the Council has identified, considered and mitigated the risks around the project;
- The extent to which the Council has modelled the financial implications of the project through its medium term financial plan;
- The adequacy of the processes established by the Council to review and monitor delivery of the agreed outputs.

## Results

The council have put in the necessary arrangements to ensure that the financial aspects of the project as well as the decision-making is sound and has different levels of supervision and monitoring.



# VFM Recommendations

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Our value for money work for the 2019/20 year identified weaknesses in the Council's arrangements for informed decision making. Given the timing of our reporting, and the outcome of the various external reviews and inspections which have taken place since 2020, including the recommendations raised by these reviews, and the Council's ongoing work to address the recommendations, we do not consider it appropriate to re-raise these matters.

We understand that the Council has compiled a consolidated action plan to address the recommendations previously raised by external reviews and inspections. We have not undertaken any procedures to verify the completeness of the Council's action plans or the effectiveness of the actions being taken by the Council. However, we acknowledge the importance of these external reviews and the recommendation below reflects this.

Area	Observation & implication	Recommendation	Management response
Informed decision making	Weaknesses identified in Council's arrangements for acquisition of freehold property. Further details are provided on page 35 of our report.	<ol style="list-style-type: none"> <li>1. The Council should keep under review its commercial property portfolio, and on a regular basis consider whether it is appropriate to reduce its portfolio and associated borrowing.</li> <li>2. The Council should continue to deliver against the key recommendations set out in the Chartered Institute for Public Finance and Accountancy (CIPFA) review. The Council should ensure there is effective member of oversight of the steps taken by the Council, with opportunity for constructive challenge and scrutiny.</li> </ol>	



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## **Opinion on financial statements**

We anticipate issuing a disclaimer of opinion on the financial statements, for the reasons detailed in the 'Executive summary' section of this report.

## **Use of resources**

We expect to issue an adverse conclusion on the Council's arrangements for securing economy efficiency and effectiveness. This is mainly due to the issue around the legality of the council's decision to acquire commercial property using borrowed funds, detailed in previous slides.

## **Other matters on which we are required to report by exception**

We have no matters to report, other than we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, for the reasons detailed in the 'Special reporting powers and duties' section of this report.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUNNYMEDE BOROUGH COUNCIL

### Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of the Authority and the group. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of Runnymede Borough Council (“the Authority”) and its subsidiaries (“the group”) for the year ended 31 March 2020 which comprise the Authority and group Comprehensive Income and Expenditure Statement, the Authority and group Movement in Reserves Statement, the Authority and group Balance Sheet, the Authority and group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements including material accounting information. 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.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (‘the Regulations’) require the Authority to publish audited financial statements for the year ended 31 March 2020 by 13 December 2024 (‘the backstop date’). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. These audit procedures include, but are not limited to, consideration of post balance sheet events and employee benefit expenses.

When we disclaim an opinion on the financial statements, we are required to describe in this section of our report the reasons for any other matter of which we are aware that would have required a modification to the opinion, and the effects thereof. This matter is set out below.

The Authority balance sheet discloses investment property of £522.6 million, which is included within investment property of £551.5 million in the group balance sheet, and long-term borrowing of £627.3 million. During the year ended 31 March 2020, the Authority acquired a commercial property at a cost of £33.9 million. The Authority funded the acquisition of this property by borrowing from the Public Works Loans Board. The purpose of this acquisition was to generate income for the Authority, based on the assumption that the income received from leasing out the property would exceed the costs incurred, including the costs of borrowing. Before commencing its Asset Acquisition Strategy in 2014, and again in 2018, the Authority sought legal advice on the lawfulness of its Strategy.

We also obtained legal advice in respect of this matter. The view of our legal advisors is that it is unlawful for a local authority to borrow with the purpose of investing for profit. We were not satisfied that the advice obtained by the Authority considered the specifics of the Authority’s intentions, in particular the aspect of borrowing more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. In addition to the basic question of lawfulness, we considered whether in making this investment the Authority had regard to statutory guidance. Under section 15 of the Local Government Act 2003, the Authority is required to have regard to relevant guidance, in particular the CIPFA Prudential Code, 2017 Edition and the Department for Communities and Local Government’s Guidance on Local Government Investments (3<sup>rd</sup> Edition). This guidance prohibits a local authority from borrowing in advance of need. We are not satisfied that the Authority had regard to this guidance when acquiring the commercial property. The Authority’s financial statements do not disclose the unlawfulness of this acquisition or the associated borrowing.

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As a result of the matters set out above, we are unable to conclude that the Authority and group financial statements for the year ended 31 March 2020 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from these matters could be both material and pervasive. We were unable to issue this disclaimer of opinion by the backstop date because we were investigating the lawfulness of the Authority's acquisition of commercial property during the year ended 31 March 2020. Local Audit Reset and Recovery Implementation Guidance issued by the National Audit Office required us to investigate this matter before we issued this disclaimer of opinion.

## Other information

The Assistant Chief Executive and s151 Officer is responsible for the other information. The other information includes all other information included in the Statement of Accounts, other than the Authority and group financial statements and our auditor's report thereon. The Code of Audit Practice 2024 requires auditors to report on whether other information published together with the financial statements is consistent with the financial statements. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion on whether the other information published together with the financial statements is consistent with the financial statements.

## Adverse conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in April 2020, because of the significance of the matter described in the Basis for adverse conclusion on use of resources section of our report, we are not satisfied that, in all significant respects, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## Basis for adverse conclusion on use of resources

As reported in the Basis for disclaimer opinion section of our report, we have concluded that the acquisition of commercial property made by the Council in the year ended 31 March 2020 was not lawful. Having considered this matter we are not satisfied that the Authority put in place proper governance arrangements for the acquisition of commercial property funded by borrowing during the year ended 31 March 2020. This matter is evidence of weaknesses in the Authority's arrangements for informed decision making and include weaknesses in proper arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance.

## Other matters on which we report by exception

We are required to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit;
- we make a written recommendation to the Authority 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
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters, except that because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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## Responsibilities of the Assistant Chief Executive and s151 Officer and the Authority

As explained more fully in the Statement of Responsibilities, the Assistant Chief Executive and s151 Officer is responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view and for such internal control as the Assistant Chief Executive and s151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Chief Executive and s151 Officer is responsible for assessing the Authority's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

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

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

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Auditor's responsibilities in respect of the Authority's use of resources

We are required under section 20 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 requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

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.

### Auditor's other responsibilities

As set out in the Other matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

### Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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## Use of our report

This report is made solely to the members of Runnymede Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority members, as a body, for our audit work, for this report, or for the opinions we have formed.

Steve Bladen, Key Audit Partner

For and on behalf of BDO LLP, Local Auditor

London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Independence and fees

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## Independence

We confirm that the firm, and the engagement team including other BDO network firms conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and the IESBA Code of Ethics and are independent of Runnymede Borough Council.

Details of services, other than audit, provided by us to Runnymede Borough Council during the period and up to the date of this report are set out in the table below. We have not identified any threats to our independence arising from the provision of these services.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

## Fee summary

Public Sector Audit Appointments (PSAA) are currently reviewing the fee for an audit that is subject to a disclaimer of opinion because of the statutory backstop date. We will confirm these fees once this information is available.

<b>Fees summary</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>Actual</b>	<b>Actual</b>
	<b>£</b>	<b>£</b>
<b>Audit fee</b>		
• Code audit fee: consolidated Group and single-entity financial statements and use of resources	34,754	34,754
• Additional audit fee	(2) 80,000	(1)38,572
<b>Non-audit assurance services</b>		
<b>Fees for reporting on government grants:</b>		
• Housing benefits subsidy claim	19,750	13,208
• Pooling of housing capital receipts return		2,250
<b>Total fees</b>	<b>134,504</b>	<b>88,754</b>

## Notes

- (1) The 2018/19 planned audit fee is the Public Sector Audit Appointments Ltd (PSAA) published scale fee. We have sought a variation to the scale fee to reflect the Council's significant investment in commercial property in recent years, and changes in audit scope linked to the current audit requirements for property assets, pension liabilities, group accounts, and whole of government accounts. This is currently subject to review by PSAA Ltd.
- (2) The 2019/20 planned audit fee is the Public Sector Audit Appointments Ltd (PSAA) published scale fee. We will seek a variation to scale fee to reflect the Council's significant investment in commercial property in recent years, and changes in audit scope linked to the current audit requirements for property assets, pension liabilities, and group accounts. In addition, we have undertaken significant additional work in relation to legal considerations around the Council's commercial property acquisitions.

# Partner rotation

## Independence

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These tables indicate the rotation periods normally permitted under PSAA's rules on rotation of key staff, as set out in the PSAA Terms of Appointment.

It is PSAA's policy that:

- Engagement leads should act for an initial period of five years. PSAA may approve engagement leads for an additional period of up to no more than two years, if it is provided with assurance that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised together with details of any mitigations
- Other than in exceptional circumstances, the audit manager at an audited body should be changed at least once every seven years. PSAA will approve the appointment of an audit manager for an additional period of up to three years, provided that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised
- It is not expected that an individual should act as an engagement quality control reviewer at an audited body for a period longer than seven years.

In order to safeguard audit quality, we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

### Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Steve Bladen Engagement Lead	1	5 years
Yadav Gopal Manager	1	7 years

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## Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to Runnymede Borough Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Standards and Audit Committee.

## Communication

We request feedback from you on our planning and completion report to promote two-way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication required	Date (to be) communicated	To whom	Communication method
Audit Planning Report	17 March 2020	Audit and Standards Committee	Presentation to Committee of written paper
Audit Completion Report	27 November 2025	Audit and Standards Committee	Presentation to Committee of written paper
Annual Audit Letter	27 November 2025	Audit and Standards Committee	Presentation to Committee of written paper

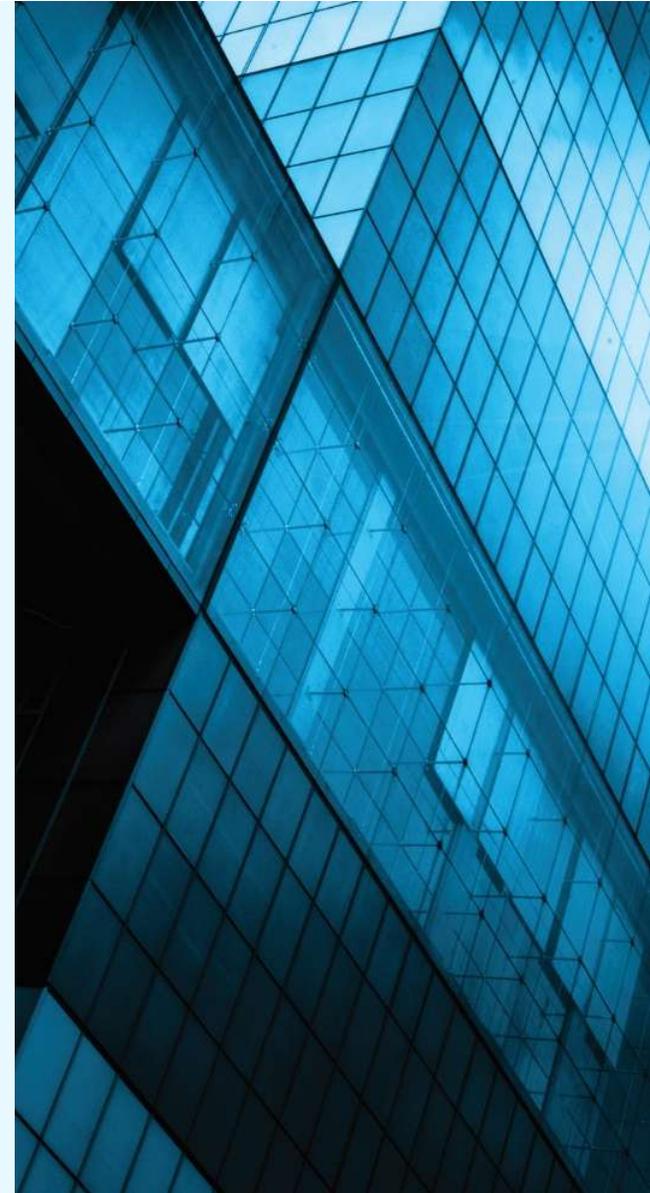
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We have completed our audit work in respect of the financial statements for the period ended 31 March 2020.

The following matter is outstanding at the date of this report. We will update you on its current status at the Standards and Audit Committee meeting at which this report is considered:

- ▶ Preparation of Audit Opinion





# Management representation letter

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BDO LLP  
55 Baker Street  
London W1U 7EU

Dear Sirs

## **Financial statements of Runnymede Borough Council for the year ended 31 March 2020**

We confirm that the following representations given to you in connection with your audit of Runnymede Borough Council's (the Council) and group financial statements (the financial statements) for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other group entities as appropriate.

The Assistant Chief Executive and s151 Officer has fulfilled their responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Council and group as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council and group, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council and group's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of Runnymede Borough Council have been made available to you for the purpose of your audit and all the transactions undertaken by Runnymede Borough Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all member meetings, management, and other meetings have been made available to you.

### **Going concern**

We have made an assessment of the Council and group's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment, we consider that the Council and group are able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Council and group's ability to continue as a going concern.

### **Laws and regulations**

In relation to those laws and regulations which provide the legal framework within which our business is conducted, and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

### **Post balance sheet events**

We have communicated all the post balance sheet events that we are aware of and have made required changes/disclosures to these financial statements accordingly. Should further material events of this type occur we will inform you accordingly.



# Management representation letter 2

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## Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing, and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

## Misstatements

At Appendix A we attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

## Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

To the best of our knowledge there are no undisclosed side agreements in any of the related party transactions of the entity.

There were no loans, transactions or arrangements between the Council and group and members of the Council or their connected persons at any time in the year which were required to be disclosed.

## Carrying value and classification of assets and liabilities

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

## Accounting estimates

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements

### a) Pension fund assumptions

- We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the schemes' actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

Longevity at 65 for current pensioners:

Men 2.1 years

Women 24.3 years

Longevity at 65 for future pensioners

Men 22.9 years

Women 25.7 years

Rate of inflation (CPI): 1.9%

Rate of increase in salaries: 2.8%

Rate of discounting scheme liabilities: 2.3%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.



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## b) Valuation of council dwellings, other land and buildings, surplus assets, and investment properties

We are satisfied that the useful economic lives of council dwellings and other land and buildings, and their constituent components, used in the valuation of the council dwellings and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings, other land and buildings, and surplus assets as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We confirm that the valuations applied to investment property, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

## c) Allowance for non-collection of receivables

We are satisfied that impairment allowances for long term debtors, trade receivables, council tax and business rates, and other receivables are reasonable, and are based on collection rate data.

## Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

We have disclosed to you all known contingencies and guarantees whose effect should be considered when preparing the financial statements and these have been disclosed and accounted for and disclosed in accordance with the requirements of accounting standards.

## Other

We have restated the financial statements to correct a material misstatement in the prior period. The restatements relate to the correction of external audit fees payable, and to a brought forward error involving the movement of £1.731million from the investment property balance to property, plant and equipment. This error occurred due to the group accounts not being updated when adjustments were made to the Council balance sheet.

## Other Information

We have informed you of all the documents that we expected to issue that may comprise other information. The financial statements and any other information obtained by you prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements.

## Confirmation

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

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each member has taken all the steps that they ought to have taken as a member of Runnymede Borough Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Amanda Fahey  
Responsible Finance Officer

Councillor Manu Singh  
Chair of Standards and Audit Committee



# Management representation letter 4

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## Appendix A - Schedule of Unadjusted errors

Valuation of pension liability	The actuary used an estimate for pension fund assets rather than actuals. The Council's pension liability was therefore overstated by £383k.
Valuation of Investment Property	An updated lease agreement for an investment property was not provided to the Council's valuers. The value of investment property was therefore understated by £167k.
Valuation of Investment Property	A café owned by the Council was included within the subsidiary investment property revaluation. The revaluation decreased the property value but due to timing, this was not updated in the accounts. The valuation of land and buildings was therefore overstated by £229k.
Valuation of Investment Property	The valuation for the investment property within RBC Investments (Surrey) Limited excluded the valuation of one flat. The valuation of investment property was therefore understated by £372k
Interest Payable	Interest payable based on external confirmations was lower than the amounts recorded in the accounts. Borrowing and finance expenditure were therefore overstated by £125k.

# FRC Ethical Standard

Issued in December 2019

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It is now around four years since the FRC's Revised Ethical Standard 2019 ('ES') came into force. It aimed to further strengthen auditor independence and enhance confidence in the profession and was, in many ways, a precursor to the Corporate Governance and Audit Reform debate

that is still ongoing. Although the ES is now well-established it is worth taking time to reconsider some of its most important changes and ensure your internal policies and procedures are effective.

Key headlines	Impact
<b>The objective, reasonable &amp; informed third party test</b>	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules or result in an outcome that is inconsistent with the general principles and the public interest.
<b>Contingent fees</b>	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
<b>Secondments</b>	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
<b>Recruitment and remuneration services</b>	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.

# FRC Practice Aid for Audit Committees

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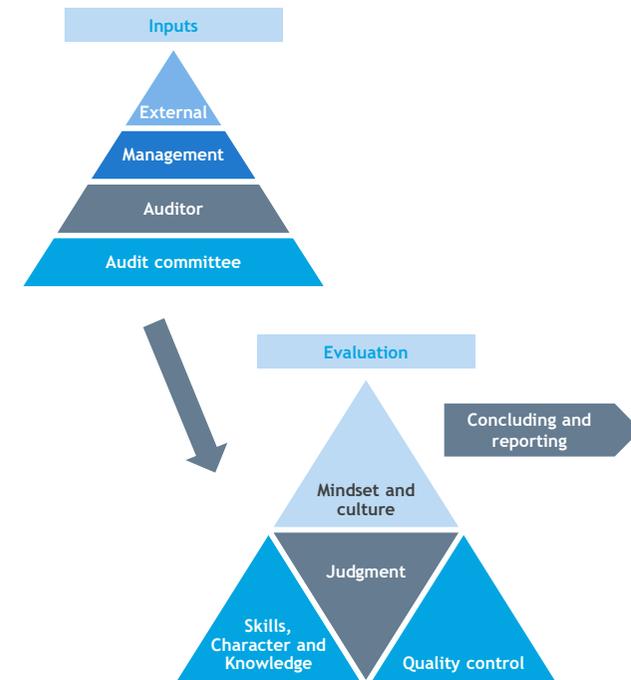
The Financial Reporting Council (FRC) issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: 'The directors of a Company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the Company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for taking decisions.'

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non-audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high-quality audit (see note across).

It gives guidance for Audit Committees in the following areas:

- ▶ Audit tenders and the tender process including audit fee negotiations and auditor independence
- ▶ A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding
- ▶ Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- ▶ Some guidance on key areas of audit judgement

The provision of high-quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high-quality audits. A copy of the letter can be found on the [FRC website](#)



# Audit quality

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## **BDO is totally committed to audit quality**

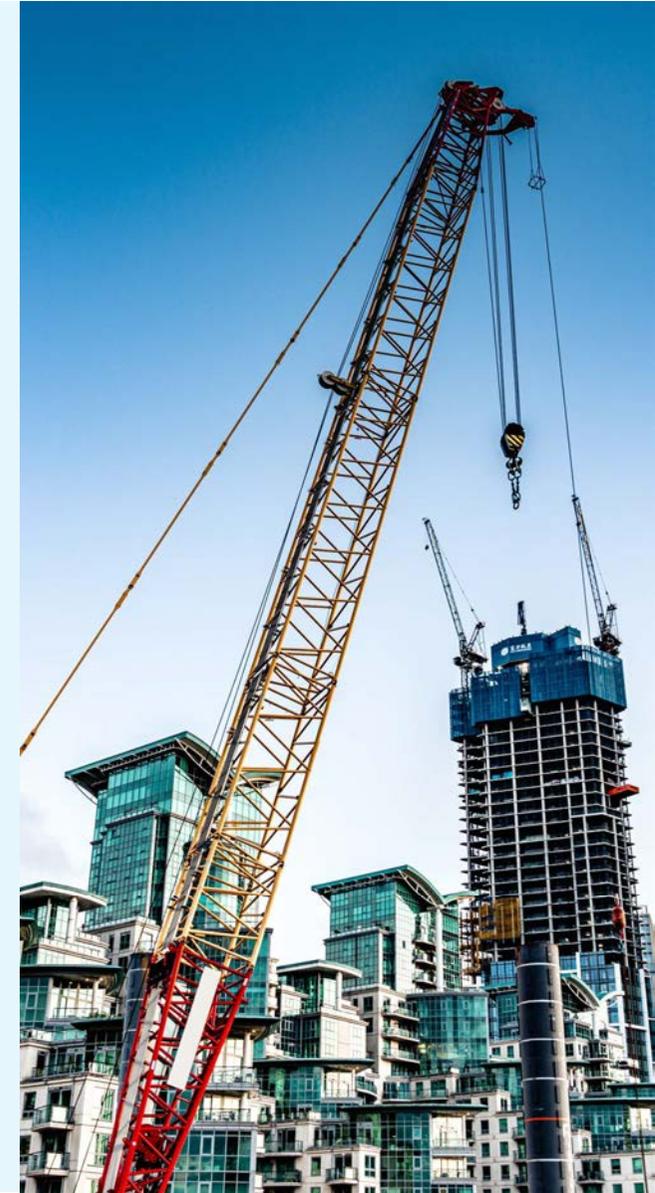
It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)



# Our culture of challenge

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***“The Right people, supported to do the Right Work, in the Right place at the Right time. In short doing the Right thing. Always.”***

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. While the ICAEW Code of Ethics provides guidance on how a professional accountant fulfils their duty, the focus of our firm, and auditors individually is to discharge our obligation to serve the public interest by consistently performing quality audit engagements.

Our work as auditors is fundamental to the success of the business world, enabling decisions based on transparent financial reporting that is trusted. The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information which they have responsibility to report, including the financial statements.

Quality is represented in our strategic framework in two important and distinct ways:

- The first is that we are committed to serving the public interest by consistently performing quality engagements - this is particularly important for two reasons: firstly, that it is the right thing to do and secondly, that it's required of by the international standards on quality management.
- The second commitment is to high quality, independence and ethics, which is broader than just our performance on individual audit and non-audit engagements and recognises the importance of high quality in everything we do.

Our Audit Specific Behaviours provide guidance and set consistent expectations for our auditor teams to ensure our day-to-day interactions and decision making come together to create High Performing Teams, that do the right thing. Always.

Read our latest Transparency Report on the BDO website.



# Runnymede Borough Council's responsibilities

## Runnymede Borough Council's Responsibilities and Reporting

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### Financial reporting

Runnymede Borough Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which Runnymede Borough Council's accounts for its stewardship and use of the public money at its disposal.

The form and content of Runnymede Borough Council's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

### Use of resources

Local authorities are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, Runnymede Borough Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, Runnymede Borough Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.



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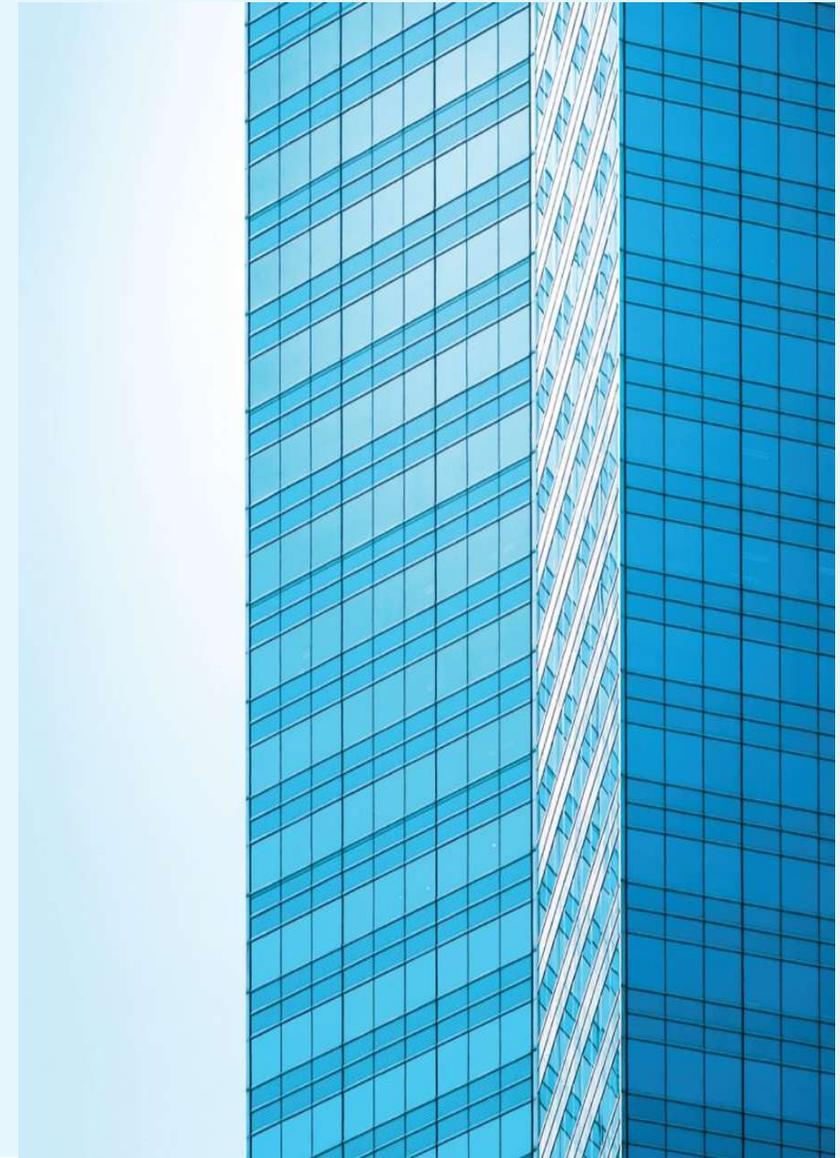
## Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of Runnymede Borough Council.

We are required to satisfy ourselves that Runnymede Borough Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether Runnymede Borough Council has put arrangements in place that support the achievement of value for money.

## What we don't report

Our audit is not designed to identify all matters that may be relevant to Runnymede Borough Council and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



**For more information:****Steve Bladen****Partner****m: +44 (0)7870 514535****t: +44 ((0)20 3860 6563****e: [steve.bladen@bdo.co.uk](mailto:steve.bladen@bdo.co.uk)**

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of Runnymede Borough Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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