

Audit Completion Report

Stockport Metropolitan Borough Council—
Year ended 31 March 2023

November 2023



Contents

- 01** [Executive summary](#)
- 02** [Status of the audit](#)
- 03** [Audit approach](#)
- 04** [Significant findings](#)
- 05** [Internal control recommendations](#)
- 06** [Summary of misstatements](#)
- 07** [Value for Money](#)

[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



Members of the Audit Committee
Stockport Metropolitan Borough Council
Fred Perry House
Edward Street
Stockport
SK1 3UR

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 19 July 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0161 238 9248

Yours faithfully

Karen Murray

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Net defined benefit liability valuation;
- Management override of controls;
- Valuation of property, plant and equipment;
- Valuation of investment properties and;
- Valuation of Airport Shareholding.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £53k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

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



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.






02


Section 02:


Status of the audit


2. Status of the audit

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

Audit area	Status	Description of the outstanding matters
Pensions		We are awaiting an updated asset ceiling calculation for the Council and its two subsidiaries Stockport Home Ltd and Totally Local Company to complete the work in this area.
Reviews and completion		Following the resolution of the above queries we will finalise our audit completion work including manager and RI review.
Financial statements, Annual Governance Statement and letter of representation		We will complete our review of the final financial statements upon receipt of the signed version of the accounts, Annual Governance Statement and letter of representation.
Value for Money (VFM)		We are awaiting the Council's VFM self-assessment to complete this work.
Whole of Government Accounts (WGA)		We will complete the required WGA work on receipt of the instructions from the National Audit Office.

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

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

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

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £17.25m using a benchmark of 2% of gross operating expenditure.

Our final assessment of materiality, based on the 2022/23 draft financial statements, is £18.95m using the same benchmark.

For the Group financial statements, we set our provisional materiality at £18.0m. Our final assessment of Group materiality, based on the 2022/23 draft financial statements, is £19.85m.

Use of experts

We set out in our Audit Strategy Memorandum our planned use of experts to assist in our audit procedures. There were no changes to our planned approach.

Item of account	Management's expert	Our expert
Defined benefit pension liability valuation and disclosures (Council and Group)	Hymans Robertson – Actuary for the Greater Manchester Pension Fund.	PwC – Consulting actuary appointed by the National Audit Office.
Property valuations: land & buildings owned by the Council and investment properties.	External – CBRE, Colliers and Internal Council valuer	We engaged our own valuer to review of complex property valuations and the Council's share of the land at Manchester Airport
Financial instrument disclosures.	Link Asset Services	We reviewed Link's methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially correct. We also obtain evidence of Link's professional qualifications through the National Audit Office.
Long Term Investments – Manchester Airport	BDO	Mazars' Financial Reporting Valuations Team

3. Audit approach

Group audit approach

The Council's group structure for 2022/23 includes two wholly owned subsidiary companies, Totally Local Company Ltd and Stockport Homes Ltd. In auditing the accounts of the Council's Group financial statements, we obtained assurance over the transactions in the Group relating to the Council's subsidiary companies.

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

Group component	Approach adopted	Key points or other matters to report
Stockport Metropolitan Borough Council	●	The Mazars audit team undertook the full audit of the Council
Totally Local Company Limited	●	The Mazars audit team undertook testing of Totally Local Company's defined benefit pension liability and carried out review procedures of the remaining consolidated accounting entries.
Stockport Homes Limited	●	The Mazars audit team undertook testing of Stockport Homes' defined benefit pension liability, reviewed the valuation of housing stock included in the group accounts, and carried out review procedures of the remaining consolidated accounting entries.

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

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

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

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

04

Section 04: **Significant findings**

4. Significant findings

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

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 18 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: <ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of any significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion We completed our procedures as planned. There are no matters to bring to the Committee’s attention in respect of our work on management override of controls.

4. Significant findings

Net defined benefit liability valuation (Council and Group)**Description of the risk**

The Council's single entity and group accounts contain material assets relating to the local government pension scheme administered by the Greater Manchester Pension Fund (GMPF). In 2022/23, the valuation has identified the Council has a net pension asset for the first time. There are specific accounting requirements which limit the value of the net asset to the 'asset ceiling'.

The Council and its subsidiaries rely upon an actuary, Hymans Robertson to provide an annual valuation of these assets in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area

How we addressed this risk

Our procedures included:

- assessing the skill, competence and experience of the Fund's actuary, Hymans Robertson including a review of the actuary by our actuarial expert PWC;
- challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;
- reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by GMPF Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation;
- corresponding with the GMPF auditor to gain assurance on their audit of the fund; and
- obtaining appropriate assurance that the asset ceiling has been calculated in accordance with IFRIC 14, including reviewing the appropriateness of the assumptions and inputs used in the asset ceiling calculation.

Audit conclusion

Our detailed testing has identified one error. This relates to Stockport Council's allocated share of an error identified by the Greater Manchester Pension Fund (GMPF) auditor as part of their testing of pension assets. The impact of this error is not material. Further detail is provided in section 6.

As set out in section 2, we are awaiting an updated asset ceiling calculation to complete this work. We will report the outcome of this work to committee in our follow-up letter.

4. Significant findings

Valuation of property, plant and equipment (Council and Group)**Description of the risk**

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.

The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct current value. In addition, as the valuations are undertaken through the year there is a risk that the fair value of the assets is materially different at the year end.

How we addressed this risk

Our audit procedures included:

- assessing the skill, competence and experience of the Council's internal and external valuers;
- reviewing the instructions issued to the internal and external valuers by management to ensure they comply with the Code requirements;
- considering whether the overall revaluation methodology used by the Council's valuers is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies;
- understanding the process followed by management to seek assurance that any land and buildings assets not revalued at 31 March 2023 are not materially misstated;
- assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- critically assessing the appropriateness of the social housing factor applied to the valuation of the Council Dwellings;
- testing the consolidation adjustment made to the valuation of Stockport Homes Ltd's properties to align the valuation to the Council's accounting policies;
- testing the valuation on a sample of properties; and
- testing a sample of items of capital expenditure in 2022/23 to confirm that additions are appropriately valued in the financial statements.

Audit conclusion

Our detailed testing identified a number of errors in the valuations used in the accounts however the net impact of these errors are not material. Further detail is provided in section 6. There are no other matters to bring to the committee's attention.

4. Significant findings

Valuation of investment properties

Description of the risk

The CIPFA Code requires that investment properties are subject to revaluation annually, their year-end carrying value should reflect the current value at that date i.e. investment property shall be measured at fair value as at the balance sheet date.

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

How we addressed this risk

Our audit procedures included:

- assessing the skill, competence and experience of the Council’s internal and external valuers;
- reviewing the instructions issued to the internal and external valuers by management to ensure they comply with the Code requirements;
- considering whether the overall revaluation methodology used by the Council’s valuers is in line with industry practice, and the CIPFA Code of Practice and the Council’s accounting policies;
- assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- testing the valuation on a sample of properties; and
- testing a sample of items of capital expenditure in 2022/23 to confirm that the additions are appropriately valued in the financial statements.

Audit conclusion

Our audit testing has identified one error that we are reporting in relation to investment property valuations, as detailed in section 6, however the impact of this is not material. There are no other matters to bring to the committee’s attention.

4. Significant findings

Key areas of management judgement

Valuation of shareholding in Manchester Airport (Council)

Description of the management judgement

The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2023. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.

How our audit addressed this area of management judgement

Our approach to auditing the investment in Manchester Airport Holdings Limited includes the involvement of the Mazars in-house valuation team.

The Mazars in-house valuation team reviewed the methodology and key assumptions used by management’s expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used

Audit conclusion

We completed our procedures as planned. There are no matters to bring to the Committee’s attention in respect of our work on the valuation of the shareholding in Manchester Airport.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 7 July and were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Council finance officers have been very helpful in promptly answering our detailed audit queries and ensuring that Council officer colleagues have prioritised responding to our audit queries.

Significant matters discussed with management

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

Pension asset ceiling calculation

Each year the Council is required to obtain an actuarial valuation of its share of assets and liabilities held in Greater Manchester Pension Fund. Usually this results in a net pension liability being held on the Council's Balance Sheet. In 2022/23, the valuation has identified the Council has a net pension asset for the first time. There are specific accounting requirements which limit the value of the net asset to the 'asset ceiling'. As part of their valuation, the actuary provided a calculation of the asset ceiling. We have reviewed the asset ceiling calculation, and the assumptions which underpin this. The actuary assumed a future working life of the employer as being 7.7 years. In our view this should have been calculated over an indefinite period. The effect of this is to understate the value of the asset ceiling, and therefore the value of the net pension asset on the Council's Balance Sheet. The finance team are in the process of obtaining a revised asset ceiling calculation and will assess the impact of this on the Council's financial statements in due course. We will update the Audit Committee on the outcome as part of our follow-up letter.

Reinforced Autoclaved Aerated Concrete (RAAC)

A national issue has emerged regarding the use of Reinforced Autoclaved Aerated Concrete (RAAC) in public sector buildings. Buildings with this material have been found to be structurally unsound and, in some instances, have closed due to safety concerns. This could lead to potential impacts on the financial statements of the Council in the form of property impairments and impacts on the use lives.

We have discussed with management the arrangements that the Council has in place to assess and manage the risk of RAAC in its buildings. The Council has identified one asset where RAAC is present. The value of this property in the Council's accounts is £0.1m which is immaterial. Management have not identified any material issues relating to RAAC.

Impact of the War in Ukraine

The ongoing situation in Ukraine has far-reaching consequences for public sector organisations.

As part of our audit we have discussed with management the impact of the war on the Council's operations, and whether any disclosures are required in the financial statements.

We are satisfied there are no issues arising which would require specific disclosures in the Council's financial statements.

Significant difficulties during the audit

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

Wider responsibilities

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

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

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

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

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

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

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

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

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations

Other deficiencies in internal control – Level 2

Description of deficiency

Our sample testing of property, plant and equipment and investment property valuations identified a number of errors, including in relation to the size of the Modern Equivalent Asset assumptions. These extrapolated to an immaterial error, as set out in section 6. We have held a debrief with the finance team to explain the errors and the impact on the valuations.

Potential effects

Incorrect assumptions and errors in the valuations process may lead to a misstatement of asset values in the financial statements.

Recommendation

Management should work with the valuers to ensure the errors identified are corrected and not repeated in future valuations.

Management response

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

Our sample testing of school bank accounts identified one instance where the bank reconciliation was performed on 29 March 2021, rather than 31 March 2021. The transactions for the final two days were included in the April bank reconciliation, rather than the March bank reconciliation.

Potential effects

Performing bank reconciliations before the year end can lead to transactions being missed from the Council's year-end financial position.

In response to our finding, the Council's finance team completed a check of all school bank reconciliations and identified a further 25 instances where the bank reconciliation was completed as at the wrong date. The financial impact of the identified timing differences was trivial, and as such the Council's accounts have not been amended.

Recommendation

Reminders should be sent to all school finance teams to complete the year-end bank reconciliation as at 31 March 2022.

The Council finance team should complete a check of the bank reconciliation date for each school as part of the year-end closedown process.

2022/23 update

This recommendation has not been fully addressed in 2022/23. Further reminders were sent to schools to ensure that bank reconciliations were completed at the year-end date. However, our sample testing of school bank accounts in 2022/23 still identified one instance where the bank reconciliation was performed on 29 March 2022, rather than 31 March 2023. The financial impact of this timing difference was trivial therefore the Council accounts were not amended.

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

A small number of assets have not been revalued within the five years required by the CIPFA Code. In addition, the Council holds a small number of land and building assets at historic cost. The value of these assets is trivial . However, this represents non-compliance with the requirements of the Code.

Potential effects

Conducting valuations of land and building assets on a regular basis ensures the amounts held on the Council's balance sheet are up-to-date.

Recommendation

The identified assets should be included in the 2022/23 valuations cycle to bring them up to date.

2022/23 update

This recommendation has been addressed in 2022/23. Our work on property, plant and equipment confirmed that the Council had revalued all assets within the five years required by the CIPFA code and no assets were identified as being held at historic cost.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £569k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1				
Dr: Debtors (prepayments)			2,424	
Cr: Expenditure		2,424		
<p>During our testing of expenditure we identified one invoice for £40.8k which related to 2023/24 but was recognised in 22/23. Applying our audit methodology we extrapolated this £40.8k error, and if the error was representative of the whole population, the prepayments and Cost of Services expenditure would both be misstated by £2,424k. We are satisfied this is not material. As the actual error is only £40.8k the Council's finance team have decided not to amend the statement of accounts.</p>				
2				
Dr: Financing and Investment Income and Expenditure	2,371			
Cr: Investment Property				2,371
<p>During our testing of investment property valuations we identified a number of errors in our samples, which extrapolate to an error of £2,371k. The main error, which was identified by the Council, relates to one asset valuation which was overstated by £1,970k. The remaining errors relate to minor recalculation differences.</p>				
3				
Dr: Revaluation Reserve			4,122	
Cr: Property, Plant and Equipment				4,122
<p>During our testing of property, plant and equipment valuation we identified a number of errors in our samples, which extrapolate to an error of £4,122k. The main reason behind these errors is the assessment of the modern equivalent asset (MEA) area used in school valuations being overstated.</p>				

6. Summary of misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4				
Dr: Property, Plant and Equipment			6,596	
Cr: Revaluation Reserve				6,596
Estimated error as result of posting full year additions and depreciation after processing the valuations at 01/01/2023.				
5				
Dr: Pension asset			3,043	
Cr: Pension reserves				3,043
Stockport Council's allocated share of the error identified by the Greater Manchester Pension Fund (GMPF) auditor as part of testing pension assets.				
Total unadjusted misstatements	2,371	2,424	16,185	16,132
Net unadjusted misstatements	53		53	

6. Summary of misstatements

Adjusted misstatements

No adjusted misstatements have been identified at the date of this report.

6. Summary of misstatements

Disclosure amendments

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

- **Note 3 – Expenditure and Income Subjective Analysis** : Reclassification of £1,713k between Government grants and contributions and Fees, charges and other service income.
- **Note 27 – Pooled Budget Arrangements** : Presentational adjustments have been made to the disclosure note to correct a misclassification error. This moved the funding and expenditure figure of £654k under the acute heading to the prevention, borough wide and community headings.
- **Note 28 – Members Allowances**: the allowances figure had not been updated in the 2022/23 note and showed the 2021/22 figure. This was corrected to show the 2022/23 figure of £945k.
- **Note 31 – Dedicated School Grant** : A presentational adjustment of £65,317k has been made between the 'Agreed initial budgeted distribution in 2022/23' and 'In year adjustments' lines to align the note to the confirmation from the Department of Education.
- A number of other minor changes have been made to address presentational, spelling and grammatical errors.

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

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

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

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

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

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation. However, we are continuing to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Dear Karen

Stockport Metropolitan Borough Council- audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Stockport Metropolitan Borough Council ('Council') and its Group for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2022/23 (the Code)), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law

My responsibility for the financial statements and accounting information

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

• My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Deputy Chief Executive (Section 151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no undisclosed contingent gains which should be disclosed.

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

Laws and regulations

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

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

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Deputy Chief Executive (Section 151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

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

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

Related party transactions

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

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

Future commitments

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

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2022/23 in relation to the Council and Group's PFI schemes that you have not been made aware of.

Appendix A: Draft management representation letter

Subsequent events

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

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

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

Global Banking Challenges

I confirm that the Council has carried out an assessment of the potential impact on the Council of the on-going global banking challenges, in particular whether there is any impact on the Council's ability to continue as a going concern and on the post balance sheet events disclosures. In this regard I confirm that our exposure with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation is not material.

Covid-19

I confirm that the Council has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Reinforced Autoclaved Aerated Concrete (RAAC)

I can confirm we have carried out an assessment of the potential impact of Reinforced Autoclaved Aerated Concrete (RAAC) on the Council. Based on this there is no indication of a need for a material impairment of the Council's property, plant and equipment or investment property balances.

Going concern

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in the Appendix to this letter.

Appendix B: Draft audit report

Independent auditor's report to the members of Stockport Metropolitan Borough Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Stockport Metropolitan Borough Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account and the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Deputy Chief Executive (Section 151 Officer) with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Deputy Chief Executive (Section 151 Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Appendix B: Draft audit report

Responsibilities of the Deputy Chief Executive (Section 151 Officer) for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Deputy Chief Executive (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Deputy Chief Executive (Section 151 Officer) is also responsible for such internal control as the Deputy Chief Executive (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive (Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive (Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015 and the Local Government and Housing Act 1989, and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

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

We evaluated the Deputy Chief Executive (Section 151 Officer)'s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

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

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

Appendix B: Draft audit report

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

We are also required to conclude on whether the Deputy Chief Executive (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

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

Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

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

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

We have nothing to report in these respects.

Appendix B: Draft audit report

Use of the audit report

This report is made solely to the members of Stockport Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

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

[Signature]

Karen Murray

Key Audit Partner
For and on behalf of Mazars LLP

One St Peter's Square

Manchester





M2 3DE

Appendix C: Independence



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

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

Appendix D: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the Deputy Chief Executive (Section 151 Officer) that Stockport Metropolitan Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

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

Karen Murray

Mazars

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

*where permitted under applicable country laws.

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars