Audit Completion Report

Sunderland City Council
Year ended 31 March 2023

November 2023

mazars

Contents

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Audit and Governance Committee Members
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16 November 2023

Dear Committee Members

Audit Completion Report – year ended 31 March 2023

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

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 22 September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We noted in our Audit Strategy Memorandum that our risk assessment in respect of our VFM work was not complete; following completion of this risk assessment, we did not identify any significant risks of weaknesses in arrangements.

We would also 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 0774 776 4529.

Yours faithfully

Mark Kirkham (Nov 20, 2023 09:56 GMT)

Mark Kirkham
Partner
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:

- management override of controls (Council and Group);
- valuation of Local Government Pension Scheme obligation; and
- valuation of property, plant and equipment (Council only).

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

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023, other than the areas listed on page 7. We will provide an update to you in relation to the matters outstanding through issuance of a follow-up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements, subject to the conclusion of matters outstanding, as listed on page 7. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for money arrangements
We are yet to complete our work in this area; 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 work is provided in section 7 of this report.

Whole of Government Accounts (WGA)
We have received the Group Audit Instructions and have completed our assessment for the Council which falls below the threshold whereby detailed work is required, therefore, we will submit the required assurance statement to the National Audit Office in line with the deadline.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No questions or objectives have been received.

02

Section 02:

Status of the audit

2. Status of the audit

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

Audit area	Status	Description of the outstanding matters
Net defined benefit pension scheme position		Consideration of the net pensions asset. Receipt and consideration of assurance from the Pension Fund auditor.
Short-term investments		Outstanding external confirmations for two short-term investment balances.
IT General Controls		Completion of work in relation to the Council's IT General Controls.
Closing procedures		Review of the revised financial statements and consideration of any post balance sheet events. Technical team review of the revised financial statements. Engagement Partner final review.

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 September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £16.172 million for the Group and £15.324 million for the Council using a benchmark of 2% of gross operating expenditure.

Our final assessment of materiality, based on the final financial statements is £16.234 million and £15.629 million for the Group and Council respectively, using the same benchmark.

Use of experts

Changes to our planned approach since issuing our Audit Strategy Memorandum are shown *in italics below.*

Item of account	Management's expert	Our expert
Defined benefit pension scheme net position	AON Hewitt (Actuary)	Report commissioned by the National Audit Office from PwC in respect of actuaries nationally.
Property, Plant and Equipment (PPE)	Internal Valuer	We consider relevant information available from third parties.
Shared Waste Private Finance Initiative (PFI) facility	Hilco Appraisal Ltd	We have engaged our own internal valuation expert to review the assumption that the movement in the value of the shared waste facility is not material between years.
Financial instrument disclosures	Link Asset Services	No expert required.

3. Audit approach

Group audit approach

Our group audit approach remains unchanged.

Group component	Approach adopted	Key points or other matters to report
Sunderland City Council (the parent)		The Council has disclosed the financial performance of its interests in other entities in Note 32 Related Parties.
Together for Children (TfC)		Full scope audit – reliance on the component auditor, Robson Laidler LLP.
Sunderland Lifestyle Partnership (SLP)		Specified audit procedures in respect of the consolidation adjustments for the leisure assets, due to them being valued on a different basis in the component's accounts. Note 32 sets out the additional support provided to SLP in 2022/23. No reliance on component auditor as the consolidation adjustments are calculated by the Council for Group purposes and we carry out work in respect of those adjustments at the Group level. Component auditor is Mazars LLP; assessment of potential threats per Appendix C.
Sunderland Care and Support Limited (SCAS)		No matters to report.
Siglion Ltd		No matters to report.
IAMP (International Advance Manufacturing Park) LLP		No matters to report.

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

Desktop analytical review procedures
Desktop analytical review procedures carried out on non-significant consolidated components

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 15 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 risk – management override of controls

Management override of controls

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk by carrying out audit work in the following areas:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

There are no significant issues arising from our work that we are required to report to you.

4. Significant findings – significant risk: net defined benefit liability (pensions)

Net defined benefit scheme position

Description of the risk

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We:

- critically evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements;
- challenged the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office;
- critically assessed the competency, objectivity and independence of the Actuary;
- liaised with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively;
- compared assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office;
- agreed data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements; and
- critically reviewed the component auditor's work in respect of Together for Children's net pensions liability which is consolidated in the group financial statements.

Audit conclusion

We critically reviewed the consolidated pensions net (liability) / asset for Together for Children (TfC) and Sunderland Care and Support (SCAS) and challenged management in respect of variances.

We noted the significant decrease in net pension liabilities for the Council, TfC and SCAS, which is consistent with significant decreases seen elsewhere. Both the Council and SCAS have net pension assets, whereas there is a net pensions liability for TfC, with TfC having a different membership profile.

We assessed the calculation of the asset ceiling, as compared to the net pensions asset recognised by the Council and SCAS; this is because of the requirement, where a net pensions asset is recognised, to assess whether any restriction on the surplus is required.

Our work is on-going, with the following key areas outstanding:

- critical review of the net pension (liability) / asset calculation; and
- receipt and consideration of the assurance from the Pension Fund auditor.

We will provide an update on outstanding matters to the Committee via our formal follow-up letter, which will include an updated summary of misstatements, if required.

4. Significant findings – significant risk: valuation of property, plant and equipment

Valuation of property, plant and equipment (PPE)

Description of the risk

The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (including the Council's PFI shared waste facility). The Council employs valuation experts to provide information on valuations, however, there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment (PPE) due to the significant judgements and number of variables involved.

How we addressed this risk

We:

- critically assessed the Council's arrangements for ensuring that property, plant and equipment valuations are reasonable and not materially misstated;
- critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by Valuers, including the PFI shared waste facility;
- considered the competence, skills and experience of the Valuers and the instructions issued to the Valuers.
- substantively tested capital expenditure additions and disposals during the year;
- substantively tested the Council's property, plant and equipment to gain assurance that they exist and are owned by the Council;
- substantively tested revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated;
- carried out procedures to gain assurance over the consolidation adjustments for group accounts which impact on property, plant and equipment and associated financial statement areas; and
- where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate.

Audit conclusion

We critically reviewed valuations; as part of our substantive testing, we identified a small number of errors:

- one asset was understated in the asset register by £0.925 million, due to the use of an earlier draft of the valuation report;
- we disagreed with the Valuer's assessment that one asset had an obsolescence factor of 0%, which we deemed too low as asset has been operational since 2020, resulting in an overstatement of the asset by £0.359 million; and
- one asset valuation used the incorrect index, resulting in the asset being overstated by £0.225 million.

The net impact of these three errors is £0.341 million, which is below our triviality threshold.

Overall, there have been no significant issues arising from our testing that we are required to report to you, and we have obtained the assurance sought.

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.

Draft financial statements were received from the Council on 6 July 2023 and were of a good quality, supported by comprehensive working papers. The finance team has again worked closely with us and has been very responsive in addressing queries throughout the audit period. The platform used for sharing working papers and logging queries has again facilitated the smooth completion of the audit.

Significant matters discussed with management

Assurance was obtained in respect of the matters detailed below, with issues arising summarised in the referenced sections, subject to completion of outstanding work.

Pensions

We discussed with management the revision to the 2021/22 accounts made in May of this year, as a result of the triennial valuation of the Pension Fund. We critically reviewed the 2022/23 net pensions asset disclosed by the Council and Group as at 31/3/23, which has significantly decreased compared to the prior year; see further commentary under the significant risks section.

Shared Waste PFI Facility

We discussed with management the valuation of the shared waste facility, which was not revalued as at 31/3/23; the Council considered whether there was any indication of material misstatement and satisfied itself there was not. We reviewed the Council's assessment and considered it to be reasonable.

Newcastle Airport Shares

We noted from our 2022/23 audit work there has been no movement in the £16.508m valuation of the Airport shares accounted for in the Council's financial statements at 31 March 2023. Officers critically considered the future-looking projections for the Airport and this did not indicate a material movement since the previous valuation, therefore, the Council's judgement was that the valuation remained appropriate. Our review of the valuation and evidence provided by Council officers supported this assumption.

Litigation and claims

We discussed with management whether there was any new litigation or claims which could give rise to liabilities for the Council. We also made enquiries of officers in respect of Reinforced Autoclaved Aerated Concrete (RAAC) being present in any Council-owned buildings and obtained assurance that there was no indication of any material issues affecting the Council's assets.

Group financial statements

Our initial review of the Group Comprehensive Income and Expenditure Statement (CIES) included in the 2022/23 financial statements identified some highly material and unusual variances for both gross income and gross expenditure. Upon further review, these were because of formulae errors in the underlying group consolidation working paper, rather than being 'true' variances. We note there was no 'net' impact on the Group net cost of services. We discussed this matter with the finance team who immediately addressed this.

IT

We followed-up with management IT internal control recommendation raised as part of the 2021/22 audit; several have not yet been fully addressed so they remain 'open' recommendations; see further detail in section 5 of this report.

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

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 controls 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 controls 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 categories detailed overleaf.

2022/23 internal control recommendations

We have raised the following internal control recommendations in respect of 2022/23:

- evidencing lease agreements (medium)
- evidencing approval for new loans **(low)**
- access to journal posting **(low)**

2021/22 internal control recommendations – follow-up

We have documented our follow-up of prior year recommendations in this section, namely:

- infrastructure, and useful economic lives per asset register (medium priority)
- back-up restorations for SAP (medium)
- management user access reviews for SAP **(low)**
- complexity requirements for password configuration on SAP (low)
- disaster recovery tests for SAP (low)

Priority ranking	Description	Number of issues (current year)
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 controls or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal controls should be strengthened in these additional areas when practicable.	2

5. Internal control recommendations

Deficiencies in internal control – Level 2

Description of deficiency – evidencing lease agreements

Sample testing of leases included one short-term lease where the lease agreement was not readily available. In addition, sample testing also identified an error, being the annual rental income incorrectly input to the Council schedule used to calculate operating lease disclosures.

Potential effects

Risk of material misstatement, whether due to fraud or error.

Recommendation

Review all leases and ensure they are supported by lease agreements, and the correct amount is recorded on the operating lease schedule.

Management response

The lease agreement which was not readily available relates to an asset which is managed by an external property management company. The Council will review all records to ensure that all lease agreements are held on the Council's asset management system. A full review of annual rental amounts has already been undertaken and all details held are now appropriate.

5. Internal control recommendations

Deficiencies in internal control – Level 3

Description of deficiency – evidencing approval for new loans

One loan only was taken out in 2022/23, with the Public Works Loans Board (PWLB); our walkthrough of the loans system identified that no written decision sheet was retained to evidence this.

Where decisions to borrow are made, documentary evidence (e.g. a clear email trail or paper trail in the form of a Decision Sheet) is normally retained. The loan walked-through here was the only one taken out in 2022/23 and alternative evidence to show subsequent scrutiny and approval of the loan was noted

Potential effects

Risk of material misstatement, whether due to fraud or error.

Recommendation

Management should ensure that, where a decision is taken verbally to undertake new borrowing, this is supported by contemporaneous documentary evidence, for example, a completed , signed-off Decision Sheet (or similar) and/or an email trail.

Management response

This one loan was taken out in exceptional circumstances in order to secure funding at an attractive rate within a very tight timescale. Senior officers did approve the loan verbally.

We will ensure that all future decisions are fully supported by documentary evidence.

Description of deficiency – inappropriate access for journal posting

As part of our walkthrough of the general ledger, it was noted that one non-finance person was posting journals, namely re-coding car leasing payments from revenue to the balance sheet. Whilst no errors have been identified, we discussed with the Council these journals and we understand they plan to ensure these journals are to be done by the finance team going forward.

Potential effects

Risk of material misstatement, whether due to fraud or error.

Recommendation

Ensure journals are posted only by authorised/appropriate staff.

Management response

Action has already been taken to review which staff are posting journals and address any inappropriate use of journals.

5. Internal control recommendations

Follow-up of prior year deficiencies in internal control – Level 2

Description of deficiency – infrastructure

As part of audit work on infrastructure earlier in 2023, it was noted that amendments were required to useful economic lives for different categories of infrastructure (e.g. roads). We note the Council plans to revise its fixed asset register for 2022/23, based on the infrastructure useful economic lives calculated as part of this exercise.

Potential effects

Misstatement of infrastructure.

Recommendation

The Council should amend its fixed asset register for 2022/23, to reflect the infrastructure exercise carried out and the resulting amendments to infrastructure useful economic lives, plus amend for derecognised assets.
The Council should also amend its accounting policy for infrastructure to reflect the revised useful economic lives, by category.

Management response

Agreed.

2022/23 follow-up

Based on our work in 2022/23, the above recommendation has been actioned.

Description of deficiency – back-up restoration test for SAP

It was noted that back-up restoration test was not performed during the audit reporting period (1 April 2021 to 31 March 2022).

Potential effects

In the event of a data loss, the Council will not have the ability to restore critical data continue with business as usual in a timely manner.

Recommendation

Management should ensure that data restoration tests are performed on a regular basis.

Management response

Recovery is periodically tested when implementing change backout plans, which utilise server snapshots. The daily backups are verified daily via the platforms built-in validation tools, but no test restores are carried out. Treatment recommendation to introduce test restores and resource requested to investigate options.

2022/23 follow-up

Oracle Solaris restore testing is conducted as part of post change testing when the backup solution is updated, in order to confirm success of change.

The next backup platform upgrade process is scheduled for W/C 13th November, including test restores of "Oracle Solaris" databases as part of post change testing.

Last tests were May and November 2023.

Status following 2022/23 audit

Recommendation now 'closed'.

5. Internal control recommendations

Follow-up of prior year deficiencies in internal control – Level 3

Description of deficiency – user access reviews on SAP

It was noted that management does not perform user access reviews on SAP.

Potential effects

User access review is a detective control and in the absence of the effective control discrepancies in the users' access on underlying applications might go unnoticed and corrective actions might not be taken in a timely manner.

Recommendation

Management should ensure that users' access is reviewed on a periodic basis.

Management response

There will be a Monthly Operation board with the business to discuss the contents and format of the review of user access, so it meets the business's needs.

2022/23 follow-up

User account and permission reports are currently provided on request from business owners

Reports for review aren't currently provided on a schedule. The option to include this as a scheduled report will be presented to the upcoming SAP board.

Status following 2022/23 audit

Recommendation remains 'open'.

Description of deficiency – password complexity configuration on SAP

The password configuration does not include the complexity requirement.

Potential effects

Weak authentication mechanisms facilitate brute force attacks and password guessing.

Recommendation

In order to ensure access is appropriately restricted, and avoid compromising the confidentiality and integrity of data, we recommend strengthening the application password restrictions, taking into account industry best practice.

Management response

There will be a Monthly Operation board with the business to reviewing passwords complexity - looking to see if "Single Sign On" is an option within SAP or ways to improve security and user experience.

2022/23 follow-up

Internal ICT Risk Assessment conducted for SAP identity requirement.

Recommendation defined for SAP password policy, which was presented to the SAP board.

Recommendation accepted and currently being resourced for implementation

Recommendation was to align SAP password policy to Active Directory policy with the exception of the minimum password length.

In the absence of a technical control for minimum password length, an administrative control will be applied via guidance for staff on setting a strong secure password based on National Cyber Security Centre guidance, which is guidance adopted by the Council.

Status following 2022/23 audit

Recommendation remains 'open'.

5. Internal control recommendations

Follow-up of prior year deficiencies in internal control – Level 3

Description of deficiency – disaster recovery tests for SAP

It was noted that a Disaster Recovery (DR) Test were not performed during the audit reporting period (1 April 2021 to 31 March 2022).

Potential effects

'Business continuity issues, temporary or definitive unavailability of systems, partial or complete loss of data.

Recommendation

Management should ensure that the draft disaster recovery plan is formalised.

Management should ensure that the planned test proceeds and is tested on at least an annual basis.

Management response

A full disaster recovery test is provisionally scheduled for Q1 2023 and annually thereafter. The test in 2023 will be part of contract sign-off for the server and storage refresh work which is in progress. Dates for testing will need to be signed-off by the Chief Operators Group.

2022/23 follow-up

The infrastructure we have in place now supports testing with no perceivable service impact, therefore is no longer limited to an agreed annual full test. ICT has a scheduled DR test plan for infrastructure services.

Status following 2022/23 audit

Recommendation 'closed'.

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 £0.487 million and £0.469 million for the Group and Council respectively.

- The first table overleaf 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. There were no unadjusted misstatements from the prior year which had a brought forward impact in 20223/23.
- The second table outlines the misstatements that have been adjusted by management during the course of the audit.
- The table below summarises all errors.

Summary of unadjusted and adjusted misstatements

		Assets	Liabilities	Reserves	Income Statement
		(£'000)	(£'000)	(£'000)	**(£'000)**
1	Unadjusted misstatements identified during the 2022/23 audit (see detail in table)	0	0	-1,575	**1,575**
-	Unadjusted misstatements identified during the 2021/22 audit which remain carried forward (none)	0	0	0	0
	Sub-total unadjusted misstatements: current year and prior year	**0**	**0**	**-1,575**	**1,575**
2	Adjusted misstatements (see detail in table)	**0**	0	**0**	**0**

6. Summary of misstatements

1. Unadjusted misstatements – current year

		Assets	Liabilities	Reserves	Income Statement
		(£'000)	(£'000)	(£'000)	(£'000)
1	Dr: Gross Income – Children's Services Cr: General Fund – as at 31/03/2022			-1,575	1,575
	Being 2021/22 income included in 2022/23 in error; above the Council's de minimis level of £0.005 million, so should have been accrued for in 2021/22. Actual error £0.008 million, extrapolated error £1.575 million. N.b. error would have impacted upon the General Fund as at 31/3/22 only.				
2	Dr: Gross Income – Dynamic City Cr: Gross income – Vibrant City				4,260 -4,260
	Being the misclassification of income in the Dynamic City portfolio line heading, when it should have been included in the Vibrant City portfolio line heading. Actual error £0.061 million, extrapolated error £4.260 million - no net impact on net cost of services.				
	Total unadjusted misstatements – current year	**0**	**0**	**-1,575**	**1,575**

6. Summary of misstatements

3. Adjusted misstatements

		Assets	Liabilities	Reserves	Income Statement
		(£'000)	(£'000)	(£'000)	(£'000)
1	Dr: Group gross income				377,024
	Cr: Group gross expenditure				-381,248
	Dr: Group other operating expenditure – gross income				395
	Dr: Group financing and investment income and expenditure – gross income				3,829
	Being the incorrect signage in the group consolidation working paper formulae, resulting in intra group consolidation adjustments being added back, rather than deducted. Net nil impact. Impacts on most of the portfolio headings above net cost of services, plus several lines below.				
2	Dr: Group plant, property and equipment (PPE)	8,742			
	Cr: Group short term debtors	-8,742			
	Being the incorrect classification of Siglion's Assets Under Construction balance as a current debtor, rather than PPE.				
3	Dr: Group provisions		2,336		
	Cr: Group deferred tax		-2,336		
	Being the incorrect classification of deferred tax on the Group balance sheet (no net impact).				
4	Dr: Gross income (Cabinet Secretary)				17,358
	Cr: Gross expenditure (Cabinet Secretary)				-17,358
	Being the incorrect accounting for the Council Tax Energy Rebate non-discretionary grant from central government, which should have been accounted for on an 'agent' basis.				
5	Dr: Debtors - Payments in Advance	1,844			
	Dr: Debtors - Other Local Authorities & Public Bodies	8,951			
	Cr: Debtors - Central Government Bodies	-8,951			
	Cr: Debtors - NHS Bodies	-49			
	Cr: Debtors - Council subsidiaries	-161			
	Cr: Debtors - Other Entities & Individuals	-1,634			
	Being amendment to classification between the short-term debtors line headings (no net impact) due to errors in producing the disclosure note.				
	Total adjusted misstatements (current year)	0	0	0	0

6. Summary of misstatements

Disclosure amendments

Audit work identified a number of amendments to disclosures. The most significant are summarised below, split into adjusted and unadjusted.

Adjusted disclosures

- **Note 3 – Critical Judgements in applying accounting policies**: the Council's judgements in relation to McCloud and cost management have been clarified.
- **Note 5 – Material items of income and expenditure**: narrative has been added to cross reference to other notes to ensure that all material items of income and expenditure are covered in this disclosure.
- **Note 25 – Reconciliation of Liabilities arising from Financing Activities**: various amendments to the disclosure note for accuracy.
- **Note 28 – Officers' Remuneration**: senior officers' remuneration – amendment to include the name and salary of an officer paid more than £0.150 million (required by underlying regulations); amendment to the prior year also.
- **Note 31 – Grant Income**: amendments between line headings (no net impact) for Disabled Facilities Grant which had been misclassified within the DHLUC line instead of DHSC.
- **Note 34 – Leases**: amendment to disclose sub-lease payments and any contingent rents (Council as Lessee, finance leases and corresponding sub-leases): mainly relating to City Hall and Keel Square Hotel.
- **Note 34 – Leases**: amendment to the value of lease payments due to an input error in the source leasing schedule – resulting amendment of £1.316 million (for the value due after five years). Extrapolated error included within unadjusted disclosures overleaf.
- **Note 37 – Termination Benefits**: amendment to classification between voluntary and compulsory: with four exits misclassified as voluntary instead of compulsory. Corresponding impact on the group disclosure.
- **Note 39 – Defined Benefit Pension Schemes**: comparator mortality assumptions (for 2021/22) have been updated. Amendment to long-term rate of return on assets for discretionary (unfunded) benefits.
- **Note 39 – Defined Benefit Pension Schemes**: narrative included in respect of the assumptions around the calculation of the asset ceiling.
- **Note 42 – Nature and Extent of Risk Arising from Financial Instruments**: amendment to the Council's maximum exposure to risk in relation to its investments in banks and building societies from £299.050 million to £243.427 million. Comparator also included.
- **Note 42 – Nature and Extent of Risk Arising from Financial Instruments**: amendment to the table "Past due but not impaired amount for local taxation analysed by age".
- **Group balance sheet**: amendment to the net pensions liability as at 31/03/2022 by £47.010 million; no net impact as the amendment had already been included in the total, so a disclosure amendment only.
- **Group Note 3 – Group Property, Plant and Equipment**: amendment to group capital commitments from £0.595 million to £0.995 million.
- **Group Note 3 – Group Property, Plant and Equipment (PPE)**: amendment to Sunderland Leisure Partnership PPE from £31.071 million to £32.254 million. Amendment also to depreciation from £2.366 million to £1.183 million (i.e. the Council's 50% share, rather than the full amount).
- **Group Note 3 – Group Property, Plant and Equipment**: amendment to the Siglion LLP table for PPE from £22.667 million to £31.409 million.
- **Group Note 4 – Group Reserves (Pension Reserve)**: amendment to the 'Remeasurement of the net defined benefit liability/(asset)' for 2021/22 from £229.878 million to £276.888 million to reflect the May 2023 pension amendments to the 2021/22 financial statements.

6. Summary of misstatements

Disclosure amendments - continued

Unadjusted disclosures

- **Note 2 - Accounting standards issued but not yet adopted:** the Council has disclosed IFRS 16 leases in this note, however, it is not technically required given implementation of this standard has been deferred until 2024/25.
- **Note 34 – Leases**: the value of disclosed lease payments (due after five years) is misstated by an extrapolated £3.406 million arising from testing which identified an incorrectly input lease value.

07

Section 07:

Value for money arrangements

7. Value for money arrangements

Our approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office 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.

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report no later than three months after the auditor's report on the financial statements is signed.

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 continue 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 earlier, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report no later than three months after the auditor's report on the financial statements is signed.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mr Mark Kirkham
Partner
Mazars LLP

Date:

To be provided on letter-headed paper and not dated any earlier than one day before the auditor's report is signed. Please note this is a draft management representation letter, containing required representations up to and including 07 November 2023.

Sunderland City Council and Group - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Sunderland City Council (the Council) and 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 Authority Accounting in the United Kingdom 2022/23.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Finance (s151 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.

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.

Appendix A: Draft management representation letter

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 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 Director of Finance (s151 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.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

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'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.

Reinforced Autoclaved Aerated Concrete (RAAC)

I confirm I have disclosed to you the extent of RAAC in Council-owned buildings and to date, there is no indication of any significant issues.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will cease to 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 financial statements.

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. ***Please make sure an appendix is attached to the letter setting out unadjusted disclosures and misstatements.***

Yours faithfully

s151 Officer – Director of Finance

Signature:

Date: ....

Appendix B: Draft audit report

Independent auditor's report to the Members of Sunderland City Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Sunderland City Council ('the Council') and its subsidiaries and joint ventures ('the Group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the Council and Group 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.

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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance'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, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. 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 Director of Finance for the financial statements

As explained more fully in the Director of Finance's Responsibilities, the Director of Finance 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, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance 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 and the Group, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

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

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

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

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

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 and Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

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

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

Matter on which we are required to report by exception

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

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

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

Responsibilities of the Council

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

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

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

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

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 Sunderland City 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.

Mark Kirkham
Partner
For and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date:

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 have identified the following potential threat to independence since issuing our Audit Strategy Memorandum:

Issue	Potential threat / safeguards
Mazars LLP is also the external auditor of one of the Council's joint ventures – Sunderland Lifestyle Partnership (SLP).	Potential threat to auditor independence and associate safeguards in place are set out below: **Self-review:** the nature of this work is to provide an independent assurance report to the relevant external body. The engagement is entirely separate from the audit through a separate contract, and the team is a different team to the audit team; **Self-interest**: the fee for the external audit of SLIP is not deemed to be material to SLP or Mazars. The fees are not contingent on any outcomes from the work; **Management:** The work does not involve Mazars making any decisions on behalf of management; **Advocacy**: the work does not involve Mazars advocating SLP to third parties; **Familiarity**: work is not deemed to give rise to a familiarity threat; and **Intimidation:** the nature of the work does not give rise to any intimidation threat from management to Mazars. The work is undertaken and led by a separate team, based from our Birmingham office. We do not place any reliance on the audit of SLP for the purposes of our audit of Sunderland City Council's group financial statements, based on our assessment of benchmarks, as detailed on page 10.

Based on the above assessment, we remain independent.

Appendix D: Other communications

Other communication	Response
Compliance with laws and regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. 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.
External confirmations	We have experienced some issues with respect to obtaining external confirmations, however, we have had the full cooperation of management.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going concern	We have not identified any evidence to cause us to disagree with the Director of Finance that Sunderland City 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. 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.

Appendix D: Other communications

Other communication	Response
Subsequent events	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. 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.
Matters related to fraud	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 and Governance Committee, confirming that 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: 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.

Mark Kirkham, Partner

Mazars
5th Floor
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LS1 4AP

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

*where permitted under applicable country laws.

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