

Oxford City Council & Group Interim Audit Results Report

Year ended 31 March 2024

07 January 2025

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Building a Better
working world

Agenda Item 9



Audit & Governance
Committee
Oxford City Council
Oxford Town Hall,
St Aldate's,
Oxford,
OX1 1BX

07 January 2025

Dear Audit & Governance Committee Members

2023/24 Interim Audit results report

We are pleased to attach our Interim audit results report, summarising the status of our audit for the forthcoming meeting of the Audit & Governance Committee. We will update the Audit & Governance Committee at its meeting scheduled for 20 January 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit & Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit & governance committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our Audit Completion Report (dated 20 November 2024), we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under these arrangements to reset and recover local government audit. Although we are completing work ahead of the 2023/24 backstop date, we will not be able to obtain sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Because of the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence obtained over movements in the disclaimed years and opening balances for 23/24 mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit & Governance Committee, Board and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 20 January 2025.

Yours faithfully

Andrew Brittain

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Oxford City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Oxford City Council those matters we are required to state to them in this 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 Audit & Governance Committee and management of Oxford City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01 Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the 07 October 2024 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We are continuing to carry our audit in accordance with this plan, with no significant changes to bring to your attention.

Status of the audit

As at the date of this report our audit work in respect of the Council opinion remains in progress (as expected at this point) but, with thanks to management, we have made good progress to date and estimate being able to issue a final Audit Results Report in February 2025, subject to satisfactory resolution of all outstanding matters. Details of each outstanding item, actions required to resolve, and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion. We anticipate that the current year audit report may be disclaimed with respect to opening balances and prior period comparatives within the current year financial statements. Further information on the impact of the audit report will be reported subsequently to the Committee in the final Audit Results Report.

Value for Money

In our Audit Planning Report dated 07 October 2024, we reported that our value for money (VFM) risk assessment is in progress, and we had identified no risks of significant weaknesses in arrangements. Our work in this area is still ongoing however, we did not identify a significant weakness from our work completed to date. See Section 03 of the report for further details.

Audit differences

At the time of writing, we have not identified any unadjusted mis-statements above our clearly trivial threshold arising from the work completed to date. We will continue to update the committee as our work comes to a close.

Other Reporting Issues

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

We will perform the procedures required by the NAO on the Whole of Government Accounts submission following the completion of the financial statements audit. We anticipate that the Council will be below the threshold requiring more detailed procedures.

We have no other matters to report.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Oxford City Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

	Area of audit focus	Risk type	Status	Summary of findings/Comments
1	Misstatements due to fraud and error: Management override of controls	Fraud risk	In progress	From our procedures to date, we have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
2	Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	In progress	From the work completed to date, we have not identified any evidence of manipulation of expenditure through either incorrect capitalisation of revenue expenditure or within the Revenue Expenditure Funded from Capital Under Statute (REFCUS) balance.
3	Valuation of Land and Buildings	Significant risk	In progress	<p>In addition to the work undertaken by the local audit team, we have used our own specialists to support the work in relation to the valuation of investment property (IP) and property plant and equipment (PPE) valued on an EUV or FV basis. The six IP assets and eight PPE assets that fall under the scope of EY's internal specialist's work are currently under review by them. The remaining seventeen IP assets and twenty-eight PPE assets are undergoing review by the EY local audit team. Follow up queries have been raised and are presently under discussion with the Council's management and the appointed valuer, Carter Jonas. To date, our audit work has not revealed any significant discrepancies. We will update the Committee on progress on this area at the meeting on 20 January.</p> <p>We will not have full assurance over the PPE closing balance, due to the disclaimed opinions for 2021/22 and 2022/23 meaning we did not test material movements in the fixed asset register in those years. We will begin procedures for the rebuilding of assurance in 2024/25.</p>
4	Pension Liability Valuation	Area of audit focus	In progress	<p>We are pending completion of the EY Pensions teams review of the actuary's roll forward of the liability as of the balance sheet date. Hence, our testing in this area is still in progress.</p> <p>We will update the Committee on progress on this area at the meeting on 20 January.</p>
5	Group Consolidation	Area of audit focus	In progress	Our work in this area is still in progress.

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Executive Summary (cont'd)

Areas of audit focus

	Area of audit focus	Risk type	Status	Summary of findings/Comments
6	IFRS 16- Leases	Area of audit focus	In progress	Our work in this area is still in progress.
7	Minimum Revenue Provision	Area of audit focus	In progress	Our work in this area is still in progress.



Executive Summary (cont'd)

Areas of audit focus

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Governance Committee or the Board.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control 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 you any significant deficiencies in internal control identified during our audit.

There are no matters we wish to report at this time.

Independence

Please refer to Section 07 for our update on Independence.



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02 Areas of Audit Focus

Areas of Audit Focus

Significant risk- Misstatements due to fraud or error*

△ Fraud Risk

What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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

What is the status of our work?

Our audit work completed up to the time of writing this report has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

However, our journals testing remains in progress and will run up to the date of signing the audit opinion.

At the time of writing, our work in these areas has not resulted in amendment to the financial statements, and no indication of fraud was identified. There were also no unusual transactions identified.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Identified fraud risks during the planning stage of the audit.
- ▶ Enquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud and consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Assessed accounting estimates for evidence of management bias.
- ▶ Performed procedures to identify and evaluate the business rationale for any significant unusual transactions outside the normal course of business.

Areas of Audit Focus

Significant risk- Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure

△ Fraud Risk

What is the risk, and the key judgements and estimates?

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Substantially tested Property, Plant and Equipment (PPE) additions using a low testing threshold to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Substantially tested REFUS expenditure to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- ▶ Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

Our audit work completed at the time of writing this report has not identified any material issues indicating manipulation through incorrect capitalisation of revenue expenditure within the property, plant and equipment additions balance and in the REFUS balance within the financial statements.

We note that our audit procedures are still ongoing and will run up to the date of signing the audit opinion (as is the case for all fraud risks).

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Areas of Audit Focus

Significant risk- Valuation of Land & Buildings



What is the risk, and the key judgements and estimates?

The value of DRC and EUV assets represents a significant balance in the Council's accounts and it is subject to revaluation changes and impairment reviews.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

17 DRC and EUV assets are subject to regular review by the valuers

Valuation of these assets involves higher risk estimates due to the significant assumptions and judgments involved in their valuation, which triggers the use of experts by management and EY (where necessary). These estimates give scope for higher inherent risk in this area of accounts therefore we have identified PPE as an area of significant risk.

What is the status of our work?

We engaged our own specialist to support the work in relation to the valuation of land and buildings valued on an EUV or FV basis for a sample of 14 assets, relating to 6 investment properties and 8 other land and building properties. Work is ongoing as our specialist is still conducting their review. The remaining 17 investment properties and 28 other land and building assets are undergoing review by the EY local audit team. We have raised follow up queries and these are ongoing with management and valuer, Carter Jonas. No significant or material issues have been identified from the work completed by the audit team to date.

We will not have full assurance over the PPE closing balance, due to the disclaimed opinions for 2021/22 and 2022/23 meaning we did not test material movements in the fixed asset register in those years. We will begin procedures for the rebuilding of assurance in 2024/25.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, or assessing comparative market information);
- ▶ Challenged key assumptions used by the valuers;
- ▶ Reviewed management assessment/challenge to the Council's valuers work;
- ▶ Reviewed PPE assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered the potential impact of current economic environment on valuation uncertainties while also evaluating the need to involve our internal specialist valuations team;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

Areas of Audit Focus

Area of audit focus: Pension Liability Valuation

What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund surplus is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2024 this totalled £24 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What is the status of our work?

Our procedures to respond to this area of focus of are ongoing. We obtained assurances from the auditors of Oxfordshire County Council Pension Fund over the information provided to the actuary and considerations of any issues that may arise from the 23/24 Oxfordshire County Council Pension Fund audit which may impact on the Oxford City Council audit. No exceptions noted.

We are pending completion of the EY Pensions teams review of the actuary's roll forward of the liability as of the balance sheet date.

However, based on the procedures performed to date, which are subject to review, we have not identified any issues arising from our assessment of the assumptions based on the review of the PwC, as the consulting actuaries commissioned by the National Audit Office, or from the EY actuarial team.

We have assessed the scope of the work performed by LGPS Pension Fund actuary, Hymans Robertson, as management's specialist was appropriate.

We have not identified any issues arising from our review of the accounting entries or the financial statements disclosures within the authority's financial statements.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Liaised with the auditors of Oxfordshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council including impact of the triennial valuation
- ▶ Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- ▶ Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Areas of Audit Focus

Area of audit focus: Group Consolidation

What is the risk, and the key judgements and estimates?

The Council has a growing number of companies within the group structure three of which are wholly owned by the Council and two where the company is jointly owned. With this growth comes additional complexity and risk arising from the need to understand and implement the accounting and reporting requirements for these operations.

One of these components, Oxford Direct Services Ltd (ODSL), will be a significant component to the group based on size. Three of the entities are specific scope with material balances specific to couple of accounts: OCHL, ODSTL and Oxwed LLP.

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The risk is considered inherent because these entities are significant component based on the size and risk of the subsidiary. The accounts of the components will need to be consolidated into the Group accounts with appropriate consolidating adjustments. This gives scope for potential material error.

What is the status of our work?

Our work in this area is in progress. We are yet to review the Council's approach to consolidation and production of group accounts.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Examined the group structure and reviewed management's group boundary assessment in order to determine which elements are in scope;
- ▶ Monitored the position to identify any other components that result in a change in scope by the year end;
- ▶ Reviewed the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice;
- ▶ Liaised with the external auditor of ODSL, ODSTL and OCHL, Mazars, asking them to undertake a programme of work in line with Group audits.
- ▶ Liaised with the external auditor of Oxwed LLP, Wenn Townsend, asking them to undertake a programme of work in line with Group audits.

Areas of Audit Focus

Area of audit focus: IFRS 16- Leases

What is the risk, and the key judgements and estimates?

IFRS 16 Leases is being implemented in Local Government from 01 April 2024.

IFRS 16 eliminates the operating/finance lease distinction and imposes a single model geared towards the recognition of all but low-value or short term leases. The proposals arise partly from the IASB's view that:

- disclosures around operating lease commitments have lacked prominence and tended towards understatement; and
- even in leases where the underlying asset is not acquired for its whole useful life, the lessee nevertheless acquires an economic right to its use, along with obligations to make good on minimum lease payments.

These will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability.

As such, the Council is required to prepare readiness assessment disclosing known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

What is the status of our work?

Our work is currently in progress in this area. We have held discussions with management on the approach adopted and their conclusions reached. We will update the Committee of progress in this area at the meeting on 20 January.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Evaluated the reasonableness assessment carried out by the Council
- ▶ Reviewed the disclosures made within the Council's financial statements in relation to IFRS 16 - Leases.
- ▶ Reviewed the disclosures made by management reflecting the anticipated impact of the adoption of the standard

Areas of Audit Focus

Area of audit focus: Minimum Revenue Provision

What is the risk, and the key judgements and estimates?

If the Minimum Revenue Provision (MRP) was understated, it would have the impact of overstating the General Fund balance and understating the capital adjustment account.

Local authorities are required to charge MRP to the General Fund in each financial year. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance.

With significant capital investment at the Council, there is a risk that provision has not been calculated in line with CIPFA guidance and does not consider or include all relevant balances.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Understood the MRP Policy in place at the Council with respect to both the General Fund and the Housing Revenue Account.
- ▶ Considered engaging EY's internal specialists to review the policy against CIPFA's guidance to ensure compliance, also performing procedures to gain assurance that the Council is applying the policy correctly.

What is the status of our work?

Our work is currently in progress in this area.



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03 Value for Money

Value for Money

The Authority's responsibilities for value for money (VFM)

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

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

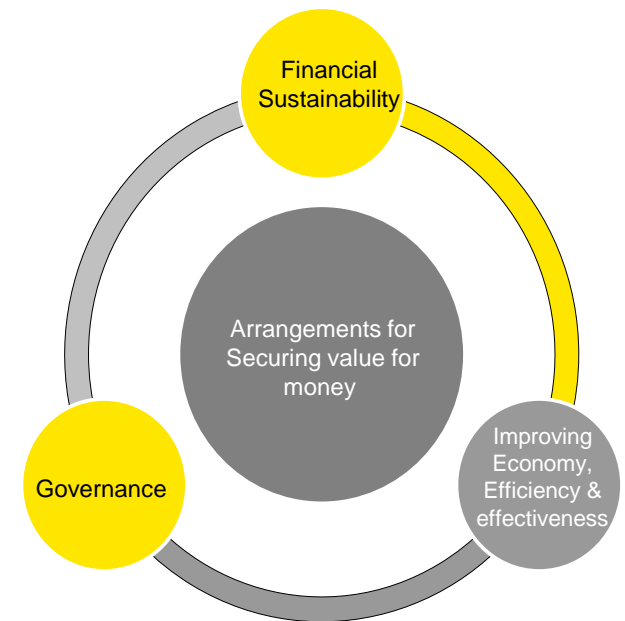
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ **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; and
- ▶ **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.

In our Audit Planning Report dated 07 October 2024, we reported that our value for money (VFM) risk assessment was in progress, and we had identified no risks of significant weaknesses in arrangements. Our work in this area is still ongoing however, we did not identify any significant weaknesses from our work completed till date.

We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report when we conclude our audit.





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04 Audit Differences



Audit Differences

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

Summary of adjusted differences

At the time of writing, we have not identified any mis-statements (adjusted or unadjusted) which exceed performance materiality of £1.9 million.

There are no uncorrected mis-statements above our clearly trivial threshold at the time of writing the report.

As the audit is still in progress it is possible that mis-statements may be identified. We will provide an update at the committee meeting on 20 January and also in our final Audit Results Report.



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Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control 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 you significant deficiencies in internal control including group-wide.

Description

Recommendation

137 We have identified through our review of provisions that the self-insurance fund provision amounting to £769k as at 31 March 2024 is based on the position as at 31st March 2019 and not as at 31st March 2024 as per expectation. Therefore, we have inquired with management to obtain sufficient and appropriate supporting evidence to show how the balance still accurately reflects the liability as at 31st March 2024, however management were unable to provide any support as they had not documented their review anywhere and do not have the capacity to provide a working paper to outline the review that was performed. This therefore led to the provision balance failing our testing and a lack of assurance being provided over the provision balance for FY 23/24.

We are unable to determine whether the provision balance has been accurately recorded, understated or overstated due to the lack of supporting evidence. Therefore, going forward we request that management create working papers for all provisions included within the accounts and also evidence that review of these balances has occurred to ensure that they reflect the actual liability position as at the year end date.



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Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Council & Group Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Based on audit work performed to date have not identified any matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

To date we have not identified any issues which require us to issue a report in the public interest.

Other Reporting Issues (cont'd)

Other matters

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

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

We wish to bring the following other matter to your attention; we anticipate that the current year audit report may be modified with respect to opening balances and prior period comparatives within the current year financial statements. This because we anticipate that we will disclaim the prior period audit report. Further information on the impact of the audit report will be reported subsequently to the committee in the final audit results report.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures

We performed the following procedures:

- We enquired with the authority as to the relevant material IT systems that would impact the statement of accounts or the audit.
- We made subsequent enquiries to understand the key IT process for the relevant material IT systems. This included the manage access, manage change and manage operation processes for these IT systems.

Audit findings and conclusions

We identified the following relevant material IT systems for the authority; iTrent, Agresso, PARIS Income Management, Civica Open Revenue and QL. However, our work on this area is in progress.



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Independence

Independence - Relationships, services and related threats and safeguards

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

Relationships

There are no relationships from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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

Appendix B – Fees



PSAA OPTED-IN BODIES: The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Current Year	Scale fee	Prior Year
	£	£	£
Total Fee - Code Work	£227,346 Note 2	£227,346	Note 1
Total audit	£227,346	£227,346	0
Other non-audit services not covered above (Housing benefits Assurance Process)	N/A	N/A	N/A
Total other non-audit services	N/A	N/A	N/A
Total fees	Note 2	£227,346	Note 1

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by (at the time) DLUHC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge an additional fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- ▶ Consideration of correspondence from the public and formal objections.
- ▶ New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- ▶ Non-compliance with laws and regulation with an impact on the financial statements.
- ▶ VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- ▶ The need to exercise auditor statutory powers.
- ▶ Prior period adjustments.
- ▶ Modified financial statement opinions



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08 Appendices

Appendix A - Required communications with the Audit & Governance Committee

Required communications with the Audit Committee

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

Required communications	What is reported?	Our Reporting to you
		When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report- 07 October 2024
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking 	Interim Audit results report -07 January 2025. And Final Audit results report- TBC

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Appendix A - Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications What is reported?

When and where

	<ul style="list-style-type: none"> ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Interim Audit results report- 07 January 2025 and Final Audit results report- TBC
147 Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Interim Audit results report- 07 January 2025 and Final Audit results report- TBC
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud 	Interim Audit results report- 07 January 2025 and Final Audit results report- TBC

Appendix A - Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications What is reported?

When and where

- ▶ Any other matters related to fraud, relevant to Audit Committee responsibility.

Related parties

Significant matters arising during the audit in connection with the entity's related parties including, when applicable:

- ▶ Non-disclosure by management
- ▶ Inappropriate authorisation and approval of transactions
- ▶ Disagreement over disclosures
- ▶ Non-compliance with laws and regulations
- ▶ Difficulty in identifying the party that ultimately controls the entity

Interim Audit results report- 07 January 2025 and Final Audit results report- TBC

Independence

Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.

Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:

- ▶ The principal threats
- ▶ Safeguards adopted and their effectiveness
- ▶ An overall assessment of threats and safeguards
- ▶ Information about the general policies and process within the firm to maintain objectivity and independence

Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.

Audit Planning Report- 07 October 2024; Interim Audit results report- 07 January 2025 and Final Audit results report- TBC

Appendix A - Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Interim Audit results report- 07 January 2025 and Final Audit results report- TBC
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Interim Audit results report- 07 January 2025 and Final Audit results report- TBC
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Interim Audit results report- 07 January 2025 and Final Audit results report- TBC
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Interim Audit results report- 07 January 2025 and Final Audit results report- TBC
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Interim Audit results report- 07 January 2025 and Final Audit results report- TBC

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Appendix A - Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications What is reported?

When and where

Auditors report

- ▶ Key audit matters that we will include in our auditor's report
- ▶ Any circumstances identified that affect the form and content of our auditor's report

Interim Audit results report- 07 January 2025 and Final Audit results report- TBC

Appendix B – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Land and building valuations and investment property valuation (DRC, EUV,FV)	EY to complete sample testing of asset valuations not subject to review by EY Real Estate after Council has responded on follow up queries as well as testing the asset revaluation movements. EY Real Estate to conclude testing on the sample assets after Council and Carter Jonas responded on follow up queries.	EY and Management
151 Property, plant and equipment additions	Discussions are currently ongoing with the Council management to address EY's inquiries about the assets in the sample and reach a conclusion.	EY and Management
Pension liability	EY Pensions to conclude on Council's liability after provision of information from actuary. EY Audit team to resolve any follow up point highlighted by EY Pensions.	EY and Management-Actuary to respond
Other balance sheet balances	EY to conclude testing on residual low volume samples on other balance sheet balances after Council has responded on follow up queries including creditors, debtors, contract liabilities and provisions	EY and Management
Key Disclosures incl officer's remuneration, exit packages and collection fund statement	EY to conclude on final procedures on key disclosures subject to management response on pending queries	EY and Management
Income and expenditure	For the combined sample of 271 for Income and Expenditure, audit team has concluded the testing on majority of the samples. Discussions are currently ongoing with the council management to address EY's follow up inquiries to reach a conclusion on the items under consideration.	EY and Management

Appendix B – Outstanding matters (cont'd)

Outstanding matters

Item	Actions to resolve	Responsibility
Group accounts	EY to conclude on group procedures after receiving updated working papers.	EY and Management
Journals testing	This is conducted consistently throughout the examination of significant account balances. Subsequently, a focused review of predominantly P13/materially significant items is carried out toward the conclusion of the audit process. Consequently, this aspect of the audit remains active as concurrent testing in other areas progresses.	EY and Management
Grants	Grant income including taxation and non-specific grant income. Management to provide supports for the samples requested	Management
Leases	EY to conclude the lease testing after receiving the support requested.	EY and Management
Finance and Investment Income	Testing is completed and subject to Manager review. Follow up queries (if any) need to be resolved once review is completed.	EY
Employee Cost	Follow up queries are pending and awaiting response on the starters and leavers sample	EY and Management
Other usual conclusion procedures including going concern, subsequent event, review of final version of accounts and receipt of signed letter of representation.	All of these relates to final close-down procedures which needs to be up-to-date at the point of signing of our audit report	EY

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