Appendix B

The Audit Findings for Sevenoaks District Council

Year ended 31 March 2024

Issue date: 18 February 2025

Appendix B

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Audit Committee
Sevenoaks District Council
Council Offices
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18 February 2025

Dear members,

Audit Findings for Sevenoaks District Council for the year ended 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Parris Williams

Key Audit Partner
For Grant Thornton UK LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Sevenoaks District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

At the date of this report, we have concluded most of our audit work, which was primarily conducted remotely. The details of the work undertaken and our findings are outlined in Section 2 of this report.

A comprehensive overview of our work and conclusions for all areas within our scope can be found in this report from page 7 onwards. We have raised control recommendations for management in Appendix B and identified adjustments to the financial statements detailed in Appendix C. We have also identified areas where we were unable to draw conclusion if material misstatement exist due to time constraints as detailed in Appendix D.

Our substantive audit work commenced primarily in October 2024. The nationwide delays in the audits of local authorities necessitated the need to profile our resources, accordingly, thus preventing us from advancing the timing of our audit before October 2024. Consequently, the finance team encountered difficulties in ensuring their availability for audit queries during the month of October 2024, as they had conflicting priorities between audit and budget setting for the year 25/26.

We have conducted regular meetings with your finance team to ensure that any arising issues are promptly addressed. However, we have faced several challenges and issues that have resulted in delays, partly due to the council not undergoing an audit in the last two years, impacting the quality of the audit evidence received and leading to the identification of errors (summarized in Appendix C). The lack of assurance on opening balances has affected areas such as the net pension liability, and the Council will need to make improvements to the quality of its working papers and the standard of its disclosures in the financial statements. Furthermore, the unavailability of key working papers at the start of the audit delayed our testing. We have identified a significant deficiency in the management's close-down and financial reporting process, as explained in Appendix B.

Unfortunately, due to the challenges associated as described above, we have been unable to attain full assurance this year. It has not been feasible for us to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 28 February 2025. In addition to the limitation of no assurance over opening balances, the issues we have identified as part of our audit, as explained in Section 2 of the report, lead us to the conclusion that we will be unable to form an opinion on the financial statements. Therefore, our anticipated audit opinion will be a disclaimer of opinion.

We are unable to conclude that the other information to be published with the financial statements (including the Annual Governance Statement (AGS)) and Narrative Report consistent with our knowledge of your organisation and with the financial statements. This is due to the fact that sufficient audit work has not been undertaken in these areas to reach a conclusion.

Continued overleaf . . .

1. Headlines (continued)

	It is crucial to emphasise the significance of the control recommendations outlined in Appendix B. In particular, the recommendation related to the Fixed Asset Register (FAR) needs to be highlighted given the reconciliation of the FAR to the general ledger is a fundamental process to the production of the accounts and an essential artefact for the audit of them. Furthermore, we urge management to address the misstatements on which conclusions could not be drawn due to time constraints, as discussed in Appendix D. These actions are imperative in gaining assurance over future periods. We intend to schedule a wash-up meeting with the management once the disclaimed opinion has been issued to support them in implementing the recommendations we have made.
Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Council's arrangements for governance and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3). ***As an overview of the work completed:*** ***Financial sustainability –*** No significant weaknesses is identified in the arrangements, but we have raised one improvement recommendation. ***Governance –*** Two significant weaknesses have been identified in the arrangements, one related to the Council's control environment and the other in relation to internal audit resource and capacity. In addition to these, we have raised four improvement recommendations. ***Improving economy, efficiency and effectiveness –*** No significant weaknesses is identified in the arrangements, but we have raised three improvement recommendation.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We cannot formally conclude the audits and issue audit certificates for the Council and Group for the year ended 31 March 2024. The new Code of Audit Practice has now been published, alongside updated Auditor Guidance Notes. While the threshold for WGA procedures has remained at £2bn, the NAO is taking the option to ask additional questions for a sample of other audits after our opinion is issued. The NAO has requested that we do not issue a certificate, even where the audit is below the threshold, pending completion on its own work. We are satisfied that this work would not have a material effect on the financial statements for the year ended 31 March 2024.
Significant matters	
The limitations arising from the absence of assurance on opening balances (no audits have been finalised since 2020/21) and the challenges identified during the 2023-24 audit process will prevent us from issuing an unqualified opinion on the 2023-24 financial statements. This significant matter will result in issuing a disclaimer audit opinion for 2023-24. We have detailed our assessment for areas in Section 2 of this report.	

1. Headlines (continued)

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the authority's accounts for (years up to 2022/23) are have been backstopped and a disclaimer of opinion will be issued by 13 December 2024. We note that the disclaimer opinion issued in prior years by predecessor auditor impacts directly the scope of the work completed due to audit team having no assurance over the opening balances within the 23/24 accounts.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council. For 2023/24, we have focused at your audit on the following areas in advance of the backstop date.

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
- Audit of selected closing balances as at 31 March 2024
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing
- Testing of journals within 2023/24
- Testing of movement in reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)
- Financial statements disclosure
- Recognising the sensitivity of cash, closing cash position and opening cash position as at 31 March 2024 and 1 April 2023 respectively.

We will continue the process of recovery during 2024/25 and ongoing years.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Our work in this area can be seen in our Auditors' Annual Report for VFM and we do not have any significant findings to report on this matter. Please refer to the separate Auditor's Annual Report, which is presented alongside this report.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be shared with the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group and Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you originally on 9 July 2024, to reflect the updates upon the backstop legislation being passed and our updated risk assessment for Value for Money (VfM). These changes were noted in the final audit plan submitted to Audit Committee on 3 December 2024.

Conclusion

As highlighted in page 4 of this report, it will not be possible for us to provide assurance over the 2023/24 financial statements. The limitations imposed by not having assurance on opening balances as well as the issues we have identified as part of our audit testing means that we will be unable to form an opinion on the financial statements ahead of the backstop date of 28 Feb 2025.. We therefore plan to issue a disclaimer of the audit opinion for the financial year 2023/24.

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming years, as we seek to rebuild audit assurance.

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion before 28 February 2025. At the time of writing the report we have completed our audit work. Prior to issuing our disclaimed audit opinion on the 2023/24 financial statements, we will require the following from the Council:

- receipt of management representation letter; and
- receipt of the final signed set of financial statements updated for the misstatements we have identified.

Our findings and audit recommendation from the work undertaken as part of the audit are summarised within this report.

Acknowledgements

We would like to express our gratitude for the support extended by the finance team and other staff. As indicated on page 4 of our report, both your finance team and our audit team encountered challenges during the audit process this year, such as delays in data receipt and the quality of the evidence and the financial statements. Furthermore, the extended period since the council's last audit posed additional challenges.

Despite the challenges, engagement between your finance team and the audit team has remained strong. So that there is no misunderstanding, it is important for us to confirm that there has not been a lack of commitment from your finance team to provide evidence for the audit.

2. Financial Statements (continued)

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our revised audit plan on 03 December 2024. We set out in this table our determination of materiality for the Council and group for the financial year 2023-24.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,000,000	950,000	This benchmark is determined as a percentage of the group's/council's cost of services expenditure in the year, which has remained at approximately 1.5%. Council materiality cannot exceed 95% of group materiality and has been assessed accordingly.
Performance materiality	650,000	617,500	Performance materiality is based on a percentage of the overall materiality. This has been assessed at 65% of materiality.
Trivial matters	50,000	47,500	This balance is set at 5% of overall materiality.

2. Financial Statements: Significant Risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan. A significant control deficiency is raised regarding the overall financial reporting and close-down process, which covers all the significant risk and other areas, due to management's inability to timely provide appropriate and reconciled workpapers and supporting evidence. Please refer to Appendix B for details on this deficiency.

Risks identified in our Audit Plan	Risk relates to	Commentary
Management override of controls ISA (UK) 240 Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Group and Council	Following on from our planned audit procedures on this significant risk, we have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals. • Identified unusual journals made during the year for checking appropriateness and corroboration. • gained an understanding of the accounting estimates and critical judgements applied by management. Based on our audit procedures, a total of 32 journals were selected for testing using our risk-based criteria. We were able to test these, as management provided sufficient working papers and supporting evidence to demonstrate that the tested journals do not pose any risk of management overriding controls. During our understanding of the journals process, we identified 3 control deficiencies as documented in Appendix B related to S151 Officer (Chief Financial Officer) having journal entry posting rights within the system, finance team members posting journals while having superuser access as well and the approval of journal entries outside the system. We cannot draw finalised conclusions from this work, given that: 1) we were unable to obtain understanding over the design and implementation of the financial reporting and general ledger system (Agresso). 2) all the planned areas of testing for this significant risk has not been completed. For instance, whilst we have gained an understanding of the accounting estimates and critical judgements applied by management, we were unable to conclude on the reasonableness in application for those estimates. This is due to lack of assurance on opening balances and other areas of the accounts set out in subsequent pages in this section and the time constraints to perform sufficient procedures on these accounting estimates. The key judgements in the financial statements for 2023/24 are documented on pages 13 to 15 of this report. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of the audit opinion for the financial year 2023/24.

2. Financial Statements: Significant Risks (continued)

Risks identified in our Audit Plan	Risk relates to	Commentary
Fraud risk related housing benefit expenditure – 18.20 million as per draft accounts Housing Benefit for both Sevenoaks District Council and Dartford Borough Council is administered via a shared service arrangement with both Council's working in partnership. Having carried out our risk assessment work, we do consider there to be a fraud risk around the occurrence of housing benefit expenditure. As a result, we designed audit procedures to address this significant risk.	Council	Following on from our planned audit procedures on this significant risk, we have: • reviewed year-end reconciliation of housing benefit system to general ledger and followed up any significant reconciling items; • checked the duplicate bank accounts within Housing Benefits Payments listing to ensure that payments are not being made to same person against two different credit IDs. • completed the uprating checklist (HBAP module 2); • completed the software diagnostic tool (HBAP, module 5) We did not identify any issues from the procedures performed as detailed above. We were unable to obtain an understanding over the design and implementation of controls over housing benefit expenditure process, as the necessary information for this was not readily available from management. We selected 83 samples to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year. We have received partial evidence for these samples. However, we were unable to complete our testing for the samples within the time constraints of the backstop deadline. To add context, each sample took circa 1 hour of an officer within the Housing Benefits team to gather the information and then it would take some time for our audit team to process the information. This often lead to further queries which again required time from both teams. Given the large sample size and the amount of available time ahead of the backstop, substantive testing of the 83 samples was stopped to enable the audit team and management to focus on other areas that could be completed. It is important to note however we did not identify any issues in the testing we did complete. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of the audit opinion for the financial year 2023/24.

2. Financial Statements: Significant Risks (continued)

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of net pension fund liability - £10.21 million as per draft financial statements The Council's pension fund net liability, as reflected in its balance sheet represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£10.2m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We therefore identified valuation of the pension fund net liability as a significant risk.	Council	Following on from our planned audit procedures on this significant risk, we have: • evaluated the design and implementation effectiveness of relevant controls over valuation process put in place by management to ensure that the Council's pension fund net liability is not materially misstated; • evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions and method made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • Used PwC as auditors' expert to assess actuary and assumptions made by actuary. • Reviewed the IFRIC 14 assessment for 23/24 carried out by management experts; and • requested assurances from our audit team at Kent Pension Fund and as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements. The methods applied in the calculation of the pension fund liability estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We were unable to obtain an understanding of the design and implementation of the control over the iTrent IT System relevant to this area, as the necessary information for this was not readily available from management. Furthermore, we are unable to gain assurance over year-on-year movements, interest costs, interest on assets and actual return on asset. This is due to audit opinion being disclaimed in prior years balances, resulting in a lack of assurance over opening balances. These areas mentioned are directly influenced by the opening balances. Also, while management provided supporting evidence for the estimated payroll cost used by the actuary in its actuarial valuation and its reconciliation to the employee benefit expenditure in the financial statements, we identified a total difference of £579k in the reconciliation. We have raised this issue with management, but we were unable to resolve it due to time constraint in achieving backstop deadline, therefore we cannot determine if any adjustment is required. We have included this as issue that is not concluded on in Appendix D. As result of our testing, we have identified certain disclosure misstatements, as outlined in Appendix C in comparison to the actuary report. These relate to the description of return on assets, assumptions used in calculating pension liabilities, disclosure of the consideration of the McCloud and Sargeant judgment in the net pension fund liability, the description of experience loss in the movement for pension liability within the financial statement notes, and the absence of the contingent liability note for the Virgin Media case. The Kent Pension Fund auditors noted a difference of £8.46 million between the final set of accounts for Kent Pension Fund for the year 23-24 and IAS26 report produced by Pension Fund's actuary (Barnet Waddingham). The calculated difference allocated to the Council based on its share of scheme assets (1.53%) is £129k which the Council opted not to adjust on the grounds of materiality. This has been added to the unadjusted misstatements. Please refer to Appendix C for details. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of the audit opinion for the financial year 2023/24.

2. Financial Statements: Significant Risks (continued)

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of Land and Buildings (including surplus assets) - £76.33 million and Investment properties - £55.66 million as per draft financial statements This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Key assumptions and judgements will include managements impairment assessments, valuations based on historic data, valuations of properties that have not been subject to inspection and those assets that have change in use in the year. Management will need to ensure that the carrying value in the Council's (and group's) financial statements is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date. We therefore identified valuation of land and buildings (including surplus assets) and Investment properties as a significant risk of material misstatement.	Group and Council	Following on from our planned audit procedures on this significant risk, we have: • Obtained understanding of management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluated the competence, capabilities and objectivity of management valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; and • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding. From our planned procedures, we were unable to obtain an understanding of the design and implementation of the control over the valuation process and the CIPFA Asset Module System relevant to this area, as the necessary information for this was not readily available from management. We selected 7 assets for Land and Buildings (Council Only) and 10 assets for Investment Properties (6 for Council and 4 for subsidiaries) based on the valuation report from the valuer (Wilks, Head and Eve - WHE) which were revalued during the year. However, we were unable to complete testing for the samples within the time constraints of the audit's backstop deadline, as agreed with the management, due to the following factors: • Management was not able to provide the fixed asset register which is reconciled with financial statements. • Management were unable to provide the evidence of source data which was shared by them with valuer and was used by the valuer for the computation of the value of the asset which includes floor area for building, land area for developed and undeveloped land, built year, source for income derived for car parks etc. • We also did not receive adequate responses from the valuer on the assumptions used in valuation of those selected assets to gain the assurance. • We did not receive working from the management for revaluation movement during the year due to which we could not ensure the accuracy of accounting treatment and recording of gain/(loss) on revalued assets. • We did not receive assessment and working from management which demonstrate the carrying value of the assets not revalued this year is not materially different from their current values. Therefore, we could not test and gain assurance due to delayed and insufficient workpapers, supporting evidences and replies from management and the valuer. We have raised 2 control deficiencies for the non-availability of reconciled Fixed Asset Register (FAR) and the other working papers and supporting evidences as explained in Appendix B. Additionally, we identified a difference amounting £1.57 million related to reconciliation between the investment properties note in the financial statements and valuers report for investment properties. Management has passed an adjustment to correct this, however, we are unable to verify the correction due to time constraint. We have included this as a corrected misstatement in Appendix C with explanation of the matter. Furthermore, management has passed an adjustment for correcting the balances as at year-end , however we are unable to verify the correction as detailed in Appendix C. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of the audit opinion for the financial year 2023/24.

2. Financial Statements: Key Judgements and Estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors. A significant control deficiency is raised regarding the overall financial reporting and close-down process, which covers all the significant risk and other areas, due to management's inability to timely provide appropriate and reconciled workpapers and supporting evidence. Please refer to Appendix B for details on this deficiency.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of net pension fund liability - £10.21 million as per draft financial statements	The Council has engaged Barnett Waddingham to complete the valuation of net defined benefit pension liability as at 31 March 2024. The latest full (triennial) actuarial valuation was completed in financial year 31 March 2022 (representing year zero of triennial valuation). A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We have considered and completed the following in the course of our testing: • Assessment of management's expert . • Assessment of actuary's approach taken regarding valuation method and detail work undertaken to confirm reasonableness of approach. • Use of PwC as auditors' expert to assess actuary and assumptions made by actuary. (see assumptions table below) • Reviewed the completeness and accuracy of the underlying information used to determine the estimate. While management provided supporting evidence for the estimated payroll cost used by the actuary in its actuarial valuation and its reconciliation to the employee benefit expenditure in the financial statements, we identified a total difference of £579k in the reconciliation. We have raised this issue with management, but we were unable to resolve it due to time constraint in achieving backstop deadline, therefore we cannot determine if any adjustment is required. We have included this as issue that is not concluded on in Appendix D.	No overall conclusion formed this year; we anticipate our opinion will be disclaimed

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.90%	4.80 to 4.95%	●
Pension increase rate	2.90%	2.85 to 3.00%	●
Salary growth	3.90%	3.85 to 4.00%	●
Life expectancy – Males currently aged 45 / 65	20.8 / 22.0 years	In line with the expectation.	●
Life expectancy – Females currently aged 45 / 65	23.3 / 24.7 years		●

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Key Judgements and Estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of net pension fund liability - £10.21 million as per draft financial statements (continued)	IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The actuary have performed a separate assessment for IFRIC 14 and no impact is required to be recorded in the financial statements.	• Reviewed the reasonableness of the Council's share of Local Pension Scheme (LPS) pension assets. • Reviewed the adequacy of disclosure of estimate in the financial statements • Reviewed the reasonableness and accuracy of IFRIC 14 assessment prepared by the actuary We were unable to obtain an understanding of the design and implementation of the control over the iTrent IT System relevant to this area, as the necessary information for this was not readily available from management. Furthermore, we are unable to gain assurance over year-on-year movements, interest costs, interest on assets and actual return on asset. This is due to audit opinion being disclaimed in prior years balances, resulting in a lack of assurance over opening balances. As result of our testing over net pension liability, we have identified certain disclosure misstatements, as outlined in Appendix C in comparison to the actuary report. These discrepancies pertain to the description of return on assets, the assumptions utilized in the calculation of pension liabilities, the disclosure of the consideration of the McCloud and Sargeant judgment in the net pension fund liability, the description of experience gain/loss resulting from actuarial valuation in the movement for pension liability within the notes to the financial statements, and the absence of the contingent liability note for the Virgin Media case. Furthermore, the Kent Pension Fund auditors noted a difference of £8.46 million between the final set of accounts for Kent Pension Fund for the year 23-24 and IAS26 report produced by Pension Fund's actuary (Barnet Waddingham). The calculated difference allocated to the Council based on its share of scheme assets (1.53%) is £129k which the Council opted not to adjust on the grounds of materiality. This has been added to the unadjusted misstatements. Please refer to Appendix C for details. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of the audit opinion for the financial year 2023/24.	No overall conclusion formed this year; we anticipate our opinion will be disclaimed

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Key Judgements and Estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Land and Buildings (including surplus assets) - £76.33 million and Investment properties - £55.66 million as per draft financial statements	For land & buildings and investment properties valuation, management rely on the work performed by their qualified valuer (RICS qualified) independent of the finance team at the council. The capital accountant compares the year-on-year movement in valuations and also reviews the valuations in light of their knowledge of the council's assets. The methods applied in the valuation are as below: **Land and Buildings:** • Depreciated Replacement Cost (DRC) • Current Value – Existing Use Value (EUV) **Investment Properties and Surplus Assets** • Fair Value (FV) For Land and Buildings, the valuer reports then set out a number of assumptions which have been factored into the valuation, such as condition of the asset, GIA/NIA (floor areas), obsolescence, build rates (BICS), capital improvements and alternative sites (such as land prices per acre at similar or nearby locations). For the investment properties the valuer reports set out a number of key inputs such as rental yields, rental income, and lease terms, which have been factored into the valuation. The Council's policy is to revalue land and buildings (including surplus asset) every 5 years on rolling-basis and for investment property assets is to value annually.	We selected 7 assets for Land and Buildings (Council Only) and 10 assets for Investment Properties (6 for Council and 4 for subsidiaries) based on the valuation report from the valuer (Wilks, Head and Eve - WHE) which were revalued during the year. However, we were unable to complete testing for the samples within the time constraints of the audit's backstop deadline, as agreed with the management, due to the factors explained on page 12. Therefore, we could not gain assurance due to delayed and insufficient workpapers, supporting evidences and replies from management and the valuer. We have raised 2 control deficiencies for the non-availability of reconciled Fixed Asset Register (FAR) and the other working papers and supporting evidences as explained in Appendix B. Additionally, we identified a difference amounting £1.57 million related to reconciliation between the investment properties note in the financial statements and valuers report for investment properties. Management has passed an adjustment to correct this, however, we are unable to verify the correction due to time constraint. We have included this as a corrected misstatement in Appendix C with explanation of the matter. Furthermore, management has passed an adjustment for correcting the balances as at year-end , however we are unable to verify the correction as detailed in Appendix C. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of the audit opinion for the financial year 2023/24.	No overall conclusion formed this year; we anticipate our opinion will be disclaimed

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Other Areas

Below is the summary of our work on other areas of the financial statements and the result thereon. A significant control deficiency is raised regarding the overall financial reporting and close-down process due to management's inability to timely provide appropriate and reconciled workpapers and supporting evidence. Please refer to Appendix B for details.

Testing area	Commentary	Relevant to Council and/or Group
Fees and charges and other service income (£44.24 million)	We have: • Agreed the income ledger breakdown to the TB and supporting note for fees and charges and other services income. • Selected 33 samples (6 debit and 27 credit transactions) for testing to verify accuracy and occurrence of the transactions. • Tested 3 of 6 debit transactions and 7 of 27 credit transactions as management provided sufficient supporting evidence. No issues were noted in the tested samples. • For remaining samples, we did not receive complete supporting evidence, and we raised the queries with the management. However, it was agreed with the management that the resolution of outstanding queries could not be accomplished within the backstop deadline. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Income: **Government grants and contributions (£2.45 million) and** **Capital grants and contributions (£5.14 million)**	We have: • Been unable to reconcile the government grants and contributions income and capital grants and contributions income as per the financial statements to the GL. But we received the income breakdown from the management agreeing to the note for government and capital grants and contributions. • Selected 19 samples for testing to verify accuracy and occurrence of the transactions from the income breakdown. • For 15 samples, received partial evidence and had pending queries raised with the management. Regarding the remaining 4 samples we received information at very late stage of the audit, therefore we were unable to test those. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Interest and investment income (£1.05 million)	We have: • Agreed the income ledger breakdown to the TB and supporting note for interest and investment income. • Selected 5 samples for testing to verify accuracy and occurrence of the grant transactions using GL. • Upon reviewing the samples received, discovered that management has provided further breakdowns for all the entries from the GL selected for testing. Therefore, we would need to select a new sample from the drilled-down listing of all the transactions. However, we did not receive the revised listing from management containing all the drilled-down transactions for the year. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Investment property income (£1.85 million)	We have: • Agreed the income ledger breakdown to the TB and supporting note for Investment property income. • Selected 10 samples (5 debit and 5 credit transactions) for testing to verify accuracy and occurrence of the transactions. • Not received the sufficient supporting evidence from the management for these samples. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Movement in fair value of investment properties (£0.46 million) **and** **(Surplus) or deficit on the revaluation of property, plant & equipment (PPE) assets (£17.25 million)** **and** **Revaluation movements in property, plant equipment note (Note 10).**	We have: • Been unable to reconcile the movement in the fair value of investment properties and (surplus) / deficit on the revaluation of PPE as per the financial statements to the GL. • However, selected 7 assets for Land and Buildings (Council Only) and 10 assets for Investment Properties (6 for Council and 4 for subsidiaries) based on the valuation report from the valuer (Wilks, Head and Eve - WHE) which were revalued during the year. • Been unable to complete testing for the samples due to the factors explained on page 12. • Not gained assurance due to delayed and insufficient data and replies from management and the valuer. We have raised 2 control deficiencies for the non-availability of reconciled Fixed Asset Register (FAR) and the other working papers and supporting evidences as explained in Appendix B. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council and Group
Gain on disposal of non-current assets (£1.48 million)	We have: • Been unable to reconcile the gain on disposal of non-current assets as per the financial statements to the GL. • Not received the Fixed Asset Register (FAR) as management was unable to reconcile it with financial statements due to which we could not identify the disposed assets and select the samples. We have raised a control deficiency for the non-availability of reconciled Fixed Asset Register (FAR) as explained in Appendix B. • Identified that the disclosure for property plant and equipment in the financial statements does not show any movement due to disposal, however a gain of £1.48 m is recorded in the Note 24d Expenditure and Income analysed by nature. • Based on inquiry with the management, noted that the council has disposed an asset (land) during the year however it was not accounted for in the movement of property, plant and equipment due to issues with CIPFA Asset Module that generates FAR. We have included this as issue that is not concluded on in Appendix D. • Not received any workpaper supporting the disposals. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Income / Debtors (Completeness)	We have: • Obtained the list of invoices received and the bank statements post year-end. • Selected 6 samples for invoices raised post year-end, and 10 samples for receipts post year-end to ensure that transactions are recorded in the correct period. • Tested all invoice raised post year-end samples and 7 of 10 receipts post year-end samples as management provided sufficient supporting evidence. No issues were noted in the tested samples. • Not received the complete supporting evidence for remaining 3 samples from the management. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Other operating expenditure (£24.68 million)	We have: • Obtained an understanding of process and controls over other service expenditure. • Agreed the expense ledger breakdown to the TB and supporting note for other operating expenditure. • Selected 61 samples (46 debit and 15 credit transactions) for testing to verify accuracy and occurrence of the transactions. • Experienced delays in receiving appropriate supporting evidence from management for the selected samples. • Tested 12 of 61 samples noted no issues. For remaining of the samples, we either have not received the complete supporting evidence or no evidence from the management. • Upon reviewing a few samples for which partial information was received, it was identified that the transaction listing provided by management for sampling included recharges to different cost centers that were reclassification entries and did not impact operating expenses for the year. As these were unrelated to the year's expenses, some samples were needed to be reselected after cleansing the listing. However, it was agreed with the management that the time and manual effort required to remove these transactions and reselecting and testing samples thereon could not be accomplished within the backstop deadline. We have raised a control deficiency in Appendix B in this respect. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Revenue Expenditure Funded from Capital Under Statute (REFCUS) (£6.10 million)	We have: • Agreed the expense ledger breakdown to the TB and supporting note for other operating expenditure (including REFCUS). • Selected 9 samples for testing to verify accuracy and occurrence of the transactions. • Been able to test the samples, as management provided sufficient working papers and supporting evidence. • No issues noted in our testing.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Expenditure / Creditors (Completeness)	We have: • Obtained the list of invoices post year-end. Also obtained the bank statements post year-end. • Selected 14 samples for invoices received post year-end, and 23 samples for payments made post year-end to ensure that transactions are recorded in the correct period. • Tested the supporting evidence to confirm the completeness of the operating expenditure during the year. Our testing was successfully completed with the supporting evidence provided by management, and no issues were identified. • Identified no matters in this area that require reporting to the Audit Committee.	Council
Employee benefits expenditure (£16.58million)	We have: • Obtained the understanding of the process and controls over the employee benefits expenditure, however we were unable to obtain understanding of the iTrent IT system relevant to it as the necessary information for this was not readily available from management. • Reconciled the expense ledger breakdown with the TB and the supporting note for employee benefits expenditure. We also received the reconciliation between payroll cost as per the note and the payroll sheets for the year, however we were not able to reconcile it with the management as we received it at a later stage of the audit. • Sampled 12 new joiners and 12 leavers during the year and were able to test the samples, as management provided sufficient working papers and supporting evidence. No issues noted in the tested samples. • Selected 24 samples from payroll reports for testing to verify accuracy and occurrence of the transactions. • Not received the complete supporting evidence from the management, for the samples selected from payroll reports. It was agreed with the management that the resolution of outstanding queries could not be accomplished within the backstop deadline. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Depreciation, amortisation and impairment (£1.44 million)	• We have: • Been unable to reconcile the depreciation of non-current assets as per the note in the financial statements to the GL. • Not received the Fixed Asset Register (FAR) as management was unable to reconcile it with financial statements due to which we could not agree the depreciation expense shown in the financial statements and select the samples. We have raised a control deficiency for the non-availability of reconciled Fixed Asset Register (FAR) as explained in Appendix B. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Appropriations from capital reserve (0.25 million)	We have: • Agreed the amount to the TB and supporting note for appropriations from capital reserve. • Tested the whole amount for testing to verify accuracy and occurrence of the transactions. • Been able to test the samples, as management provided sufficient working papers and supporting evidence. • No issues noted in our testing.	Council
PPE – Additions (£2.02 million)	We have: • Agreed the ledger breakdown for additions to the GL and the note for property, plant and equipment. • Selected 6 samples for testing to verify accuracy and occurrence of the transactions. • Been able to test the samples, as management provided sufficient working papers and supporting evidence. We identified a misstatement in our testing which resulted in an unadjusted extrapolated error of £126k as detailed in Appendix C. • Raised a control deficiency related to the review process of the expenses being capitalised in the year as detailed in Appendix B. • Not noted any other issues.	Council
PPE – Reclassification movements during the year (£6.33 million)	We have: • Been unable to reconcile the PPE reclassification movement during the year as per the financial statements to the GL. However, we received the breakdown for reclassifications made to inventory during the year which matched to the note for property, plant and equipment. • Selected 7 assets that were reclassified out of assets under construction to inventories during the year. • Not received the supporting evidence from the management for any of the selected samples. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
PPE – Closing balance other than land and buildings (£2.50 million)	We have: • Been unable to reconcile the closing balances of other assets as per the financial statements to the GL. • Not received the Fixed Asset Register (FAR) as management was unable to reconcile it with financial statements due to which we could not identify the assets comprising the closing balance and select the samples. We have raised a control deficiency for the non-availability of reconciled Fixed Asset Register (FAR) as explained in Appendix B. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Long term investments (£9.41 million) **Long term debtors (£8.71 million)**	We have: • Agreed the ledger breakdown to the TB and supporting notes for long-term investments and long-term debtors. • Matched the amounts disclosed as long-term investments and long-term debtors to the respective contracts and have determined the split of debt and equity to be in line with the underlying contracts. • Not received the following from the management: a) An assessment explaining how the long-terms debtors were recognised at amortised cost as a present value of future cashflows using the effective interest rate (market rate) under IFRS 9. If the effective rate is different than nominal rate, it results in difference in recognition of the initial debtor as well as changes the interest income recognised in the year. b) Reason for the difference of £155k between the book value confirmed by the Fund Manager in their confirmation as at year end and the value of the investments as per the financial statements. We have included these as issues that are not concluded on in Appendix D. • identified disclosure misstatements in terms of the classification and disclosure after discussing with the management which are explained in detail in Appendix C. • Also identified unadjusted misstatements in Appendix C related to fair value gain/(loss) on investment in multi-asset income funds and share in the municipal bond agency. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Cash and cash equivalents (£1.87 million)	We have: • Obtained an understanding of process and control over cash and cash equivalents. • Agreed the ledger breakdown to the TB and supporting notes for cash and cash equivalents. • Obtained and tested bank reconciliation statement for the bank accounts as at the year- end where reconciling items were noted. We have tested the reconciling items on sample basis to ensure those are appropriately reflected in the bank reconciliation statement. • Circularised the balance confirmations for both, Council and subsidiaries, as at year end directly to the financial institutions and have received the responses. No issues has been identified in the balances confirmed. • We obtained the bank reconciliation statement and circularised the confirmation for the opening balance as of 1 April 2023. However, we did not receive the confirmation for the money market funds balance. We did receive the confirmation for the bank balance and the bank reconciliation statement from the management for the opening balance, however it was at a very late stage of the audit, which prevented us from conducting the necessary testing. • As part of our testing, we have identified a control deficiency in relation to the bank reconciliation statement as detailed in Appendix B. • Identified an adjustment made by the management to reverse the excess accrual for interest receivable as detailed in Appendix C. As the adjustment was made at a very late stage of the audit, we did not verify its accuracy. However, the amount is immaterial for our audit. • No other issues noted in our testing.	Council and Group

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Inventories (£5.40 million)	We have: • Been unable to reconcile the inventories as per the financial statements to the GL. • Upon our review of the inventories, we identified the following issues: a) In the accounting policy for inventory, management has disclosed a departure from the CIPFA code, stating that inventory is recorded at cost only and that the difference between cost and net realizable value is immaterial. However, an explanation for the departure has not been provided. Additionally, if the matter is quantifiable as disclosed, management needs to record the expense, if any, in the financial statements without departing from the accounting policy. b) We did not receive an assessment from management regarding the appropriate classification of properties as inventory, based on their purpose or use. c) The breakdown of purchases during the year provided by the management did not match with the amount disclosed in the note, making it difficult to select a sample for purchases. Furthermore, the breakdown's description lacked clarity on whether the expenses related to fully constructed properties or those still under construction. d) We were unable to gain assurance over the disposals during the year in the inventory disclosure note, as we did not receive the complete supporting evidence for the properties disposed during the year. e) Some balances under the Assets Under Construction (AUC) heading in the Property, Plant, and Equipment note have been reclassified to Inventory (refer to page 20). However, the Inventory note itself has a heading of "Property Constructed for Resale" for under construction properties held for resale. We were unable to understand the difference between the two and whether an adjustment is required to correct both disclosures. • Raised a control recommendation, based on the above findings as detailed in Appendix B, requiring management to prepare an accounting memo and workpapers to explain the accounting treatment of properties held as inventory, the basis for departure from CIPFA code, and the movements during the year, facilitating the audit within the audit period. • Identified that management has passed an adjustment for correcting the balances as at year-end, however we are unable to verify the correction as detailed in Appendix C. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Short-term debtors (including allowance for doubtful debt) (£6.07 million) **and** **Payments in advance (£0.88 million)**	We have: • Agreed the ledger breakdown to the TB and supporting notes for short-term debtors and payments in advance. • Selected 39 samples (26 debit and 13 credit transactions) to verify accuracy and existence of the balances as at year-end. • Experienced delays in receiving appropriate supporting evidence from management for the selected samples as these included transactions occurred in previous years not settled till 31 March 2024 as we did not have assurance over the opening balance. • . Upon reviewing a few initial samples received, it was identified that the transaction listing provided by management for sampling included transactions that has been cleared and thus did not impact the closing balance as at year-end. Therefore, the samples needed to be reselected after cleansing the listing. However, it was agreed with the management that the time and manual effort required to remove these transactions and reselecting and testing samples thereon could not be accomplished within the backstop deadline. • Been unable to test allowance for impaired debt as management did not provide the supporting calculation to reconcile with the amount reported in the financial statements, and the working forming basis for the percentages used in the calculation of the allowance as at the year-end. • Received the listing for arrears receivable for council tax as at year end. We were able to match it to the GL and select 9 samples, however we did not receive the supporting evidence from the management for those samples. We have not received the listing for arrears receivable for NNDR as at the year end from the management. Therefore, we were unable to select samples. • Identified 2 control deficiencies, as explained in Appendix B explaining that management should establish a process to ensure that the transaction listing of short-term debtors and payments in advance is cleansed and that an allowance for impaired debts working is prepared and reviewed before being shared with us during the audit period. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Short-term creditors (£13.58 million) **and** **Receipts in advance (£2.76 million)**	We have: • Agreed the ledger breakdown to the TB and supporting notes for short-term creditors and receipts in advance. • Selected 22 samples (5 debit and 17 credit transactions) to verify accuracy and existence of the balances as at year-end. • For 15 samples, not received appropriate evidence and replies to the queries raised with the management. As for the remaining 7 samples we received information at very late stage of the audit, therefore we were unable to test those. • Not received the listing for prepaid amounts payable as at year end for both council tax and NNDR. Therefore, we were unable to select samples. • Identified a disclosure misstatement as explained in Appendix C, regarding separate disclosure for amount of revenue grants receipt in advance from receipt in advance on the balance sheet. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Short-term provisions for NNDR appeals (£2.46 million)	We have: • Been unable to reconcile the short-term provisions for NNDR Appeals as per the financial statements to the GL. • Not received the working for NNDR appeals provision as at the year end from the management. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Long-term borrowings (£25.54 million)	We have • Agreed the ledger breakdown to the TB and supporting notes for long-term borrowings. • Tested all the borrowings as at year end to verify accuracy and existence of the balances as at year-end. • We obtained direct confirmation from third party where applicable and matched the amount for borrowings to the underlying contracts. • Verified the classification of borrowing as short-term and long-term for the disclosure purposes. • Upon our review of the borrowings, we identified misstatements related to classification and disclosure. Please refer to Appendix C for more details. • Identified an amount of £11.17 million consolidated into the council's borrowing on group level. Consolidation adjustments amounting £2.6 million and £8.57 million were identified and corrected by the management as detailed in Appendix C including prior year. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council and Group
Movement in reserves statements (including usable and unusable reserve) (£95.84 million)	We have: • Not received the reconciled working papers for reserves balance as at the year end from the management. • As part of our review, identified a control deficiency as detailed in Appendix B, explaining that management should have process in place to ensure consistency between the movements in reserves and other notes to the financial statements resulting in accurate reserve balance as at year end. • Identified a reclassification adjustment made by management amounting £108k as detailed in Appendix C. This adjustment was made at a very late stage of the audit, which prevented us from conducting procedures to verify its accuracy. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council and Group

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Note 7 Expenditure and funding analysis	We have: • Been unable to reconcile the working paper for expenditure and funding analysis from the management to the disclosure to the financial statements. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Note 10 Capital commitments disclosure in property, plant and equipment	We have: • Not received the reconciled working paper for capital commitments from the management as disclosed in the financial statements. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Note 12 Financial instruments	We have: • Not received the reconciled working paper for financial instruments from the management as disclosed in the financial statements. • However, identified misstatements in the note based on our review of the disclosure as part of our audit of the long-term debtors, long-term investments, short-term debtors, short-term creditors and borrowings. Please refer to Appendix C for details. • Been unable to conclude on the accuracy and completeness of the disclosure as this area is linked with various other areas within financial statements which have not been able to obtain assurance over. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Note 26 Officers' remuneration	We have: • Obtained the understanding of the process and controls over the officers' remuneration disclosure, however we were unable to obtain understanding of the iTrent IT system relevant to it as the necessary information for this was not readily available from management. • Obtained management's working for the officers' Remuneration as disclosed in the financial statements. • We requested management for the supporting evidences for the figures disclosed in the note including senior officer remuneration, exit packages and remuneration bands. • Completed our testing for remuneration bands and no issues were noted. • Selected all 10 employees who got the exit package during the year however we were unable to reconcile the information for one employee due to time constraints in meeting the backstop deadline. • For senior officer remuneration we experienced delays in receiving appropriate supporting evidence from management. We raised additional queries on the evidences received but were unable to conclude with the management due to time constraint in meeting the backstop deadline. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Note 30 Capital expenditure and capital financing	We have: • Not received the reconciled working paper for capital expenditure and financing from the management including the MRP calculation and the check for Capital Financing Requirement (CFR) as disclosed in the financial statements. • Identified a control deficiency, as detailed in Appendix B, regarding management's responsibility to perform the checks for CFR and MRP during the preparation of accounts. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council
Note 31 Leases	We have: • Obtained the working papers for operating and finance leases from the management as disclosed in the financial statements. • Selected 5 samples for operating leases and 1 sample for finance leases. Encountered delays in receiving the evidence from the client and received only 1 sample for operating leases. We did not receive the supporting evidence for remaining samples. • Identified that management has not recorded lease asset and lease liability on the balance sheet for finance leases where authority acts as a lessee for contracts entered into during the year. After raising with the management, they have passed an adjustment in the financial statements amounting £1.465 million. We have included this as an adjusted misstatement in Appendix C, however, we have been unable to conclude whether this adjustment made is correct due to the factors explained in Appendix C. • Identified disclosure misstatements in respect of leases note as detailed in Appendix C. • Identified that management has not recorded lease receivable for finance leases where authority acts as a lessor. Furthermore, management has disclosed for operating lease (Authority as a lessor) that it does not include all the leases, as the management considers them immaterial. Additionally, the disclosure detailing the impact of IFRS 16 application is not disclosed. Management was unable to provide us an assessment for these as explained in Appendix D. Hence, we are unable to conclude if any material misstatement exists. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council and Group
Note 35 Contingent assets and Note 36 Contingent liabilities	We have: • Compared the disclosure to the last audited financial statements in 20/21 and have identified no change. • Inquired from the management for other contingent assets and liabilities that require any disclosure, and none were identified. • Identified a misstatement regarding the absence of the contingent liability note for the Virgin Media case as part our testing on net pensions liability. We have raised a disclosure misstatement related to this in Appendix C. • Been unable to conclude on the accuracy and completeness of the disclosure as this area is linked with various other areas within financial statements which have not been able to obtain assurance over. Furthermore, we have not received replies from 2 of the legal counsels explaining if they are aware of any litigations and claims that may require disclosure in the financial statements. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Note 37 Heritage assets	• We have: • Reviewed the disclosure in the financial statement in accordance with the requirements for CIPFA Code. • Identified a disclosure misstatement as detailed in Appendix C, indicating to add explanation of why the asset is not recognised in the financial statements, along with details about the asset's importance, characteristics, and valuation amount for insurance purposes to meet Code requirements. • No other issues have been noted.	Council
Collection fund account and related notes **and** **Income from council tax and business rates (£20.73 million)** **and** **Precepts and levies (£5.23 million)**	**Income and Expenditure Account:** We have: • Received the academy system report for council tax and its reliefs for the year, which we matched to the collection fund income and expenditure account. However, we identified a £375k reconciling difference that remains unresolved. • Not received the academy system report for NNDR for the year that could be matched to the collection fund income and expenditure account. However, we did receive the listing for NNDR reliefs for the year. • Selected 25 samples for council tax reliefs and 25 samples for NNDR reliefs from the listings to verify accuracy and occurrence of these transactions. We were able complete testing for NNDR reliefs and have not identified any issues. We received the supporting evidence for 24 of 25 samples for council tax reliefs at very late stage of the audit, therefore we were unable to test those. • Not been able to conclude on our analytical procedures for council tax and NNDR income as per the collection fund income and expenditure account. This was due to incomplete testing over council tax reliefs for council tax and pending information from management regarding rateable value from VOA for NNDR. • Tested precepts and demand and business rate expenses and its allocation to the relevant authorities as per collection fund disclosure. We noted a disclosure misstatement as outlined in Appendix C. • Been unable to perform test on bad debt allowance and its allocation to the relevant authorities due to non-availability of workpapers. **Notes:** • Agreed on the notes to the collection fund income and expenditure account with the supporting workpapers and documents, except for Note 4 due to the non-availability of supporting evidence and listings from the management. We identified misstatements in the disclosures as outlined in Appendix C. **Income from council tax and business rates and precepts and levies for the year in the Council's financial statements:** • Been unable to verify the council's share for Council tax and NNDR Income for the year due to no assurance over the overall council tax and NNDR for the year. • Tested council's precepts and levies expenses for the year and corroborated it with the supporting evidence, no issues were noted. Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council

2. Financial Statements: Other Areas (continued)

Testing area	Commentary	Relevant to Council and/or Group
Note 29 Related party transactions	We have: • Obtained the understanding of the business process and controls over the related party transactions disclosure. • Identified a control deficiency outlined in Appendix B, which highlights gaps in the review process leading to inconsistencies between the related party listing maintained by the Council and the interests disclosed by council members in their register of interest. • We have raised some disclosure misstatements as detailed in Appendix C. • Been unable to conclude on the accuracy of the disclosure as this area is linked with various other areas within financial statements which have not been able to obtain assurance over including operating expenditure, receivable and payables. Therefore, we were unable to obtain assurance on this area.	Council and Group
Cashflow statement	We have: • Obtained the working paper for cashflow statement and its related notes as at the year end from the management for the draft financial statements. However, did not received updated workpaper after changes were made to the financial statements as result of adjustments passed as detailed in Appendix C. Therefore, we have been unable to test this area. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Council and Group
Group accounts	We were unable to obtain an understanding of process and controls over the consolidation process and group wide controls. Due to time constraints in meeting the backstop deadline, as per our agreement with management, we have backstopped our testing for this area for the current year. Therefore, we were unable to perform any procedure on accuracy of the consolidation adjustments and obtain assurance on this area. As part of our review of the financial statements, we identified that management has produced the group accounts without the accompanying notes. We have explained and reported this as disclosure misstatements in the financial statements in Appendix C, which management has agreed to correct.	Group

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

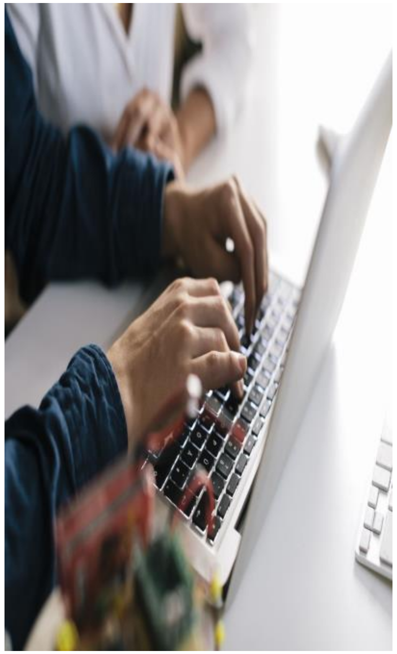
IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks / other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Agresso	Detailed ITGC assessment (design effectiveness only)	We raised our queries for understanding the design and implementation of IT General Controls (ITGCs) and cybersecurity controls over these systems in September 2024. However, we received only partial information from the management, for which we raised further queries but have not yet received replies. As a result of time constraints in meeting the backstop deadline, as per our agreement with management, we have backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. We will continue the process of recovery during 2024/25 and ongoing years.				Management override of control (Journals Testing)
iTrent	Detailed ITGC assessment (design effectiveness only)					Valuation of Net Pensions Liability
CIPFA Asset Module	Detailed ITGC assessment (design effectiveness only)					Valuation of Other Land and Building (including Surplus Asset) and Investment Properties.

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: Other Communication Requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



Issue	Commentary
Matters in relation to fraud	We have previously communicated the risks of fraud identified by us with the Audit Committee in our audit plan. We have not been made aware of any other incidents or matter that changed our risk assessment. We have been unable to form a conclusion over the fraud risks identified in our audit plan due to the reasons explained on page 9 and 10.
Matters in relation to related parties	Based on the work performed, we identified a control deficiency outlined in Appendix B, which highlights gaps in the review process leading to inconsistencies between the related party listing maintained by the Council and the interests disclosed by council members in their register of interest. We have been unable to conclude on the accuracy of the disclosure as this area is linked with various other areas within financial statements on which have not been able to obtain assurance over including operating expenditure, receivable and payables. Therefore, we were unable to obtain assurance on this area.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. We have been unable to conclude on this area is linked with various other areas within financial statements which have not been able to obtain assurance over. Furthermore, we have not received replies from the all of the external legal counsels explaining if they are aware of any non- compliance of laws and regulations, litigations and claims that may require disclosure in the financial statements or any further assessment.
Written representations	A letter of representation will be requested from the Council, including specific representations in respect of the Group. This will be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to its financial institutions, legal counsels and the relevant management experts. This permission was granted, and the requests were sent. • **Management's experts -** In general, responses to audit queries from management's expert, including the management's property valuation expert and the pension liabilities valuation actuary, were delayed. We did not receive responses to some of our queries, and we have not pursued further follow-ups due to time constraints in meeting the backstop deadline as agreed with the management. As a result, we have been unable to reach a conclusion on the valuation of net pension liability and the valuation of other land and buildings (including surplus assets) and investment properties, as detailed on pages 11 to 15. • **Financial institutions –** We have received all the confirmations circularised for the opening balances and year end balances for the bank accounts and year end balances for investments. We did not receive the confirmation for investments opening balance. No issues has been noted in the responses received to date. • **Legal counsels** – We requested from management permission to communicate directly with external solicitors who worked with the Council during the year. We have raised the confirmation to 5 external counsels and did not receive the confirmation for 2 external legal counsels namely Thomson Snell & Passmore LLP and Cripps LLP. However, we have received confirmation from Council's internal legal counsel and no issues have been identified in that.

2. Financial Statements: Other Communication Requirements (continued)

Issue	Commentary
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Please refer to the Section 2 of this report including the key judgements and estimates section which details our findings from the audit work performed.
Audit evidence and explanations/ significant difficulties	The Council has not been subject to a detailed and focus audit visit for several years, and combined with the regulatory environment in which auditors are now working, it was expected that the audit for 2023/24 would be a learning experience for both sides, and to date the management has engaged well and been generally helpful towards the queries we have raised from the procedures performed to date. During the audit process, we faced challenges that required additional work in certain areas of the accounts due to delays in receiving reconciled transaction listings and supporting evidence for key areas of the financial statements, as detailed in our commentary on pages 9 to 28. Although our original plan was to complete the audit procedures by mid-December 2024, we extended our time until January 2025 as per the agreement with management. This extension may have fee implications, and detailed fees are provided in Appendix D. Any proposed fee increases must be reviewed and approved by Public Sector Audit Appointments to ensure they are reasonable and proportionate.

2. Financial Statements: Other Communication Requirements (continued)

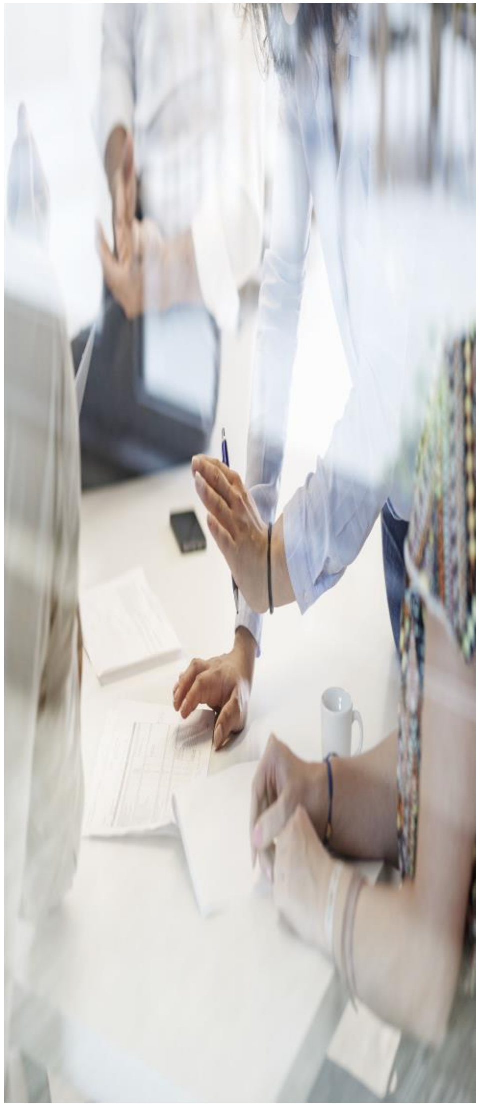
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. . In doing so, we planned to consider and evaluate: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: Other Responsibilities Under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No overall conclusion has been formed this year. This is due to the fact that sufficient audit work has not been undertaken in these areas to reach a conclusion.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. No overall conclusion has been formed this year on AGS as sufficient audit work has not been undertaken in these areas to reach a conclusion. We have not applied any of our statutory powers or duties. We have identified significant weaknesses in the Council's arrangements to secure value for money. Please refer to our accompanying Auditors Annual Report or the summary in section 3 of this report for further information.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. HM Treasury requires that entities over a set threshold have their financial information for consolidation 'audited'. The thresholds are that any of total assets (excluding PPE), total liabilities (excluding pensions*), total income or total expenditure exceed £2bn for Central Government bodies and Local Government, bodies in the devolved nations and Public Corporations. Note that work is not required for the Council as the Council does not exceed the threshold
Certification of the closure of the audit	We cannot formally conclude the audits and issue audit certificates for the Council and Group for the year ended 31 March 2024. The new Code of Audit Practice has now been published, alongside updated Auditor Guidance Notes. While the threshold for WGA procedures has remained at £2bn, the NAO is taking the option to ask additional questions for a sample of other audits after our opinion is issued. The NAO has requested that we do not issue a certificate, even where the audit is below the threshold, pending completion on its own work. We are satisfied that this work would not have a material effect on the financial statements for the year ended 31 March 2024.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: Our Procedures and Conclusions

We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below, along with our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

Criteria	2023/24 Risk assessment		2023/24 Auditor judgement on arrangements	
Financial sustainability	A	No risk of significant weaknesses in arrangements identified in 2023/24.	A	No significant weaknesses in arrangements identified, but one improvement recommendation has been made.
Governance	A	As part of our risk planning, we identified a potential significant weakness in relation that the Council's arrangements to identify, detect and prevent suspected irregularities in relation to a certain area of Council expenditure and a risk that the Council has not adequately implemented improvements to strengthen its control environment.	R	We have conducted additional risk-based work to respond to the risk of significant weakness identified at risk planning. We have concluded that there is a significant weakness in arrangements for 2023/24 relating to the Council's control environment. Additionally, we have identified a further significant weakness, not identified as part of our risk planning, in relation to internal audit resource and capacity. Therefore, another key recommendation has been raised. Four improvement recommendations have also been raised.
Improving economy, efficiency and effectiveness	A	As part of our risk planning, we identified a potential significant weakness in relation to the Council's management and oversight of a former leisure service contract and a risk that the Council's wider procurement and contract management arrangements were ineffective.	A	We have conducted additional risk-based work to respond to the risk of significant weakness identified at risk planning. We have concluded there are no significant weaknesses in arrangements , but three improvement recommendations have been made.

Please refer to our Auditors' Annual Report (AAR) for details, which is accompanying this report.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

4. Independence Considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

4. Independence Considerations (continued)

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit Assurance (2022/23)	£28,170	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management threat	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,170 in comparison to the total fee for the audit of £160,357 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat and management threat, we have not prepared the form which we are reviewing and do not expect material misstatements to the financial statements to arise from this service. Furthermore, the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Assurance (2023/24)	£29,780	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management threat	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £35,640 in comparison to the total fee for the audit of £160,357 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat and management threat, we have not prepared the form which we are reviewing and do not expect material misstatements to the financial statements to arise from this service. Furthermore, the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. None of the services provided are subject to contingent fees.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● **High**	**Deficiency in Council's close-down and financial reporting process** The external audit of the Council's financial statements has been challenging for 2023/24. There are several factors which have contributed to delays, but a key factor has been the arrangements the Council has in place to facilitate the audit in terms of providing evidence in a timely manner. The finance team has faced conflicting priorities between the audit and the budget-setting process for the year 2025/26, further impacting the audit process. To regain assurance, the Council must first be able to produce materially accurate accounts and go through the external audit process on its closing balances and transactions in year. Despite auditing the financial statements for over 4 months, we have not been able to get through the substantial amount of our planned work. The inability to complete our testing for these areas was due to challenges related to delays and non-receipt of the relevant workpapers and supporting evidence. These delays in obtaining reconciled workpapers or supporting evidence represents a significant deficiency in the Council's close-down and financial reporting process. It is imperative for management to properly maintain the council's underlying records, prepare appropriately reconciled workpapers, and make them available for the audit. Timely and accurate provision of supporting evidence is essential for the smooth conduct of the audit and the overall reliability of the financial reporting process.	The Council needs to improve and strengthen its overall arrangements to produce and facilitate the external audit of the financial statements within the statutory deadlines. Key aspects to strengthen include: • capacity of the finance team to respond to queries; • providing a full suite of working papers on day 1 of the audit including fully reconciled and cleansed transactions listings; • evidence for transactions retained as a matter of course so that they are available on request We recognise that some of these improvements will need to be iterative and cannot all be achieved in a single year. What we expect however is progress on our recommendations such that the amount of work we are able to complete in 2024/25 dramatically improves.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice
- ○ TBC – Sufficient work has not been carried out in 2023/24 to assess the full impact of this issue

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
High	**Fixed Asset Register (FAR)** The Council does not have a Fixed Asset Register which reconciles to the trial balance and the financial statements. The value of the Council's assets is over half a billion and it is unacceptable for the Council to not have proper accounting records in place to support them. Without a reconciled fixed asset register, the audit of your Property, Plant and Equipment (PPE) is not possible. We understand from discussions with management that the issues with the Fixed Asset Register arose when the Council implemented a new fixed asset module in a previous accounting period. It resulted in assets built by the Council for resale (classified as inventory) being erroneously included in the fixed asset register. Additionally, useful lives, revaluation, disposals, and other entries for the year were inaccurately reflected against individual assets in the FAR, leading to erroneous closing balances for individual assets.	We recommend that management rectify and reconcile the fixed asset register and adjust balances and disclosures as necessary to accurately reflect balances and transactions in the financial statements.
High	**Maintenance of underlying source data and other workpapers for valuation of land and buildings and investment properties** We noted that the evidence of source data used by the valuer for the computation of the value of assets for land and buildings and investment properties, including floor area for buildings, land area for developed and undeveloped land, built year, and source for income derived for car parks, was not provided by management for the samples selected by us. It is very pertinent for the verification of the valuation of assets valued during the year. Furthermore, we did not receive the workpaper for revaluation movements recorded during the year for each asset. This information is critical for the audit of the accounting for revaluation. Additionally, management did not provide an assessment for assets that have not been revalued during the year including surplus assets, to ascertain if the valuation of assets not subject to revaluation has materially changed. This assessment is required to be performed by the management in line with the requirements of the CIPFA Code. Consequently, we were unable to obtain assurance over the valuation of land and buildings and investment properties as at year end and determine if any adjustment is required to the financial statement.	We recommend that management conduct an internal assessment of the information maintained for the assets subject to revaluation to ensure it is readily available for audit purposes. Furthermore, management should perform an assessment for assets not revalued during the year, to confirm that the valuation for those assets has not materially changed, thus requiring formal revaluation as per the CIPFA code.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice
- TBC – Sufficient work has not been carried out in 2023/24 to assess the full impact of this issue

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
High	**Reconciled working paper for Capital Financing Requirements (CFR)** The Capital Financing Requirement (CFR) is an important balance for all Councils. It represents the cumulative level of capital expenditure which is yet to be financed. Consideration of the current and future level of the CFR is central to decisions the Council might make around capital investment and what a prudent level of the minimum revenue provision (MRP) ought to be. From an accounting and reporting perspective, a fundamental artefact to prove the integrity of the financial statements is the 'CFR balance sheet check'. This is a reconciliation which ties in the CFR balance as at the year end to the balance sheet. We consider this as one of the core working papers management produces to assure themselves that the accounts are materially accurate. We performed ourselves the 'balance sheet check of the CFR' in July which identified material variances. This is not uncommon as there could be very good reason for the variances, or it is possible our calculation has failed to account for something. Management were not able to provide a response immediately proving the draft accounts were produced without this important check. Only in December 2024 did management provided the workpaper which had the balance sheet check but still had a variance.	We recommend management timely produce annually a reconciled CFR balance sheet check as part of their internal processes to produce the financial statements. The CFR balance sheet check should be made available to your auditors at the start of the audit and prove that there are no material variances.
High	**Cleansing of transaction listing for short-term debtors and payments in advance** In our review of the short-term debtors and payments in advance, we found that the transaction listings provided by management forming the closing balance as at year-end included settled transactions and their reversals, which had no impact on the closing balance. Despite our request, management was unable to provide a cleansed listing due to the difficulty in finding offsetting transactions against the original ones, as they do not match individually thus requiring a manual process to remove those transactions that do not impact the closing balance. This hindered our ability to select the correct sample, resulting in the inability to obtain assurance over the existence and accuracy of short-term debtors and payments in advance balance reported in the financial statements as of 31 March 2024.	Management must perform work to ensure that transactions listings provided for short-term debtors and prepayments include only open items as at the balance sheet check. This is something that will require management to think about the way accruals are posted in year and especially at year end such that contra and closed items can be easily identified.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice
- TBC – Sufficient work has not been carried out in 2023/24 to assess the full impact of this issue

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Medium	**Cleansing of transaction listing for operating expenses** In our review of the other operating expenditures, we identified that the other operating expenses transaction listings provided by management for the year included recharges to cost centers that did not impact the operating expenses for the year. Despite our request, management was unable to provide a cleansed listing as it is difficult to find the offsetting transactions against the original transaction since they do not match individually and therefore requires a manual process to remove those transactions that do not impact the total amount of expense during the year. This hindered our ability to select the correct sample, resulting in the inability to obtain assurance over the occurrence and accuracy of other operating expense amount reported in the financial statements as of 31 March 2024.	Management should ensure when posting recharges, that the audit trail for these transactions are clear and they are posted in a way such that management are able to extract this sub-set of transactions for audit inspection. Equally, recharges should still be supported by evidence to explain the rationale upon which costs as recharged.
Medium	**Review of expenditure being capitalised** From our testing of additions in property, plant and equipment, we identified from our testing that the Council has capitalised a revenue expenditure in nature of repair that should have been charged as expense during the year. We have raised a pro-rated unadjusted misstatement amounting £126k to this effect in Appendix C. The fact that there was an error of this nature within our sample has led us to raise a control recommendation to ensure there is adequate review of capital expenditure to avoid errors of this nature in future periods.	We recommend that management conduct an internal assessment to ensure that a robust review is carried out to ensure expenses are properly reviewed before being capitalised to ensure accurate financial reporting.
Medium	**Review of bank reconciliation statement** In our review of the bank reconciliation statement, we identified receipts and payments transactions, appeared in the bank statement before year-end but were not reflected in the general ledger. These transactions were not identified for recording within the financial year during the management's review of the bank reconciliation statement, indicating a deficiency in the review process. As the required adjustment amount is immaterial, we did not raise an adjustment. Furthermore, the management's reconciliation does not offset the transactions already recognized within the year, presenting the amounts on a gross basis as recorded in the general ledger and not in the bank, and vice versa. This complicates the identification of transactions causing the reconciliation difference. The bank reconciliation statement is a critical control over cash and cash equivalents, ensuring the completeness of the balance and accurate recording of settled transactions in the general ledger. Therefore, it is essential for the reconciliation to be clear, concise, and subject to robust review.	We recommend that management conduct an internal assessment to ensure that a robust review is carried out over the bank reconciliation statement, including a review of all receipts and payments transactions settled before year-end to ensure they are accurately reflected in the general ledger. Additionally, management should implement procedures ensuring that the reconciliation is clear and concise clearly identifying reconciling items.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice
- TBC – Sufficient work has not been carried out in 2023/24 to assess the full impact of this issue

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Medium	**Expected credit loss (ECL) calculation** During our audit, we have not received the workpaper for the expected credit loss (ECL) calculation for receivable balances as at year-end, including receivable from subsidiaries. Consequently, we have been unable to verify the reasonableness and completeness of the allowance for impaired receivable estimate.	We recommend that management promptly prepares the workpaper for the expected credit loss (ECL) calculation for receivable balances based on a thorough analysis and documentation of the basis for the probability of default percentages. This will enable accurate verification of the allowance for impaired receivable balances and ensure a fair representation of the associated credit risks in the financial statements.
Medium	**Movement in reserves statement (MIRS) and related reserve notes consistency with other areas of financial statement** During our review of the financial statements, we identified inconsistencies in the movements disclosed in the movement in the reserves statement (MIRS) and associated reserves notes compared to the other notes in the financial statements. Queries were raised to management but have not been fully resolved. This has led us to raise a general control recommendation around the process to produce and support the MIRS.	We recommend that management implements a process to reconcile the movement in reserves with other notes to the financial statements, ensuring accurate balances of reserves and its disclosures at the year-end. By establishing this process, management can enhance the reliability and accuracy of the financial statements and associated disclosures.
Medium	**Completeness of related parties listing** During our testing of related parties, we compared the related parties' listing maintained by management with the register of interests filed by Council members in which they disclose their related parties which is available to public inspection on Council's website. We found discrepancies between the two. This indicates a gap in management's review process, posing a risk of undisclosed transactions with unidentified related parties. We have been unable to obtain assurance over the related party transactions during the year as explained on page 27.	We recommend that management conduct an internal assessment to ensure that a robust review is carried out to ensure all related parties are captured in the related parties listing maintained by the management. This will ensure a proper and complete disclosure of all the related party transactions as per the CIPFA Code requirements.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice
- TBC – Sufficient work has not been carried out in 2023/24 to assess the full impact of this issue

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Medium	**Accounting for Inventory** Upon reviewing the inventory, the following issues were identified: a) Management did not provide an assessment regarding the appropriate classification of properties as inventory, including documentation of their purpose or use. b) The listing of purchases during the year includes various expenditures, such as surveying services, site visit costs, salaries, architectural fees, etc. However, it is unclear whether these relate to fully constructed properties or those still under construction. c) Balances under the Assets Under Construction (AUC) heading in the property, plant, and equipment note were reclassified to Inventory. However, the Inventory note itself has a heading of "Property Constructed for Resale" for under construction properties held for resale. It is unclear whether an adjustment is required to correct both disclosures, and we were unable to obtain an understanding of the difference between the two. d) We did not receive complete supporting evidence for the disposal of inventory during the year in the inventory disclosure note, making it difficult to gain understanding and assurance over the disposal. e) Supporting evidence for the samples shared for Assets Under Construction transferred from Property, Plant, and Equipment to Inventory was not provided. f) Management has disclosed a departure from the CIPFA code regarding the accounting for inventories. It has been stated that inventory is recorded at cost only, rather than at the lower of cost or net realizable value, and that the difference between cost and net realizable value is considered immaterial. However, an explanation describing the reason for the departure has not been provided. Additionally, if the matter is quantifiable as disclosed, management should record any difference as an expense in the financial statements if the net realizable value is lower than cost, without departing from the accounting policy. Based on the above issues, we were unable to obtain assurance over the inventories disclosed in the financial statements.	We recommend management to prepare a comprehensive accounting memorandum outlining the accounting treatment of properties held as inventory. This should include a clear explanation of the criteria used to classify properties as inventory and the justification for departure from CIPFA Code related to accounting policy. Furthermore, we recommend that management prepares and provides appropriate workpapers that gives a detailed breakdown of the movements of inventory during the year. These workpapers should support our audit procedures and enable us to thoroughly review and assess the inventory within the audit period, ensuring accuracy and completeness in the financial statements.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice
- TBC – Sufficient work has not been carried out in 2023/24 to assess the full impact of this issue

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Low	**Journal entries posters have superuser access** In our analysis of the journal entry process, we noted that members of the finance team possess super user access on the Agresso general ledger system, allowing them to create and post journal entries, as well as to modify or create new user accounts. We assert that granting such super user access to finance members, including the Head of Finance, poses a risk of fraudulent entries being posted and approved through the creation of new users. However, based on our testing we understood that journal entries posted by super users are subject to the standard approval process, with automated reports sent by Agresso to designated approvers. Entries below £10k are approved by the Head of Finance, while those above £10k and entries posted by the Head of Finance require approval from the S151 Officer. As a result, the risk of super users overriding or bypassing controls is minimal, leading us to conclude that this represents a low-risk control deficiency.	We recommend that Council reviews its superuser access and restricts the access to non-journal posters to avoid bypassing of authorisation of fraudulent journal entries.
Low	**Journal entries approved outside the Agresso general ledger system** In our review of the journal entry process, we found that the system has predefined approval limits. Entries below £10k require approval from the Head of Finance, while those above £10k or posted by the Head of Finance require approval from the S151 Officer. Subsequent to the posting of journals, the system automatically generates a weekly report of all posted entries based on the approval limits. This report is then sent via email to the approver, depending on their authorization limit. The approver reviews and approves the emails, and the email trails are stored on the Council's server by the finance team. However, the system lacks a built-in approval process for journal entries before they are posted to the general ledger, and there is no automated trail of the review of journal entries maintained within the system. It is important to highlight that the absence of a built-in approval process in the system poses a risk, as potential fraudulent journals may be posted and overlooked without an automated trail of approval. Our testing revealed that the management maintains appropriate approval email trails, indicating a low-risk control deficiency. The control environment described above is typical across Local Government and so our recommendation here is made as a 'best practice' recommendation.	We recommend that Council integrates the authorisation control within the system based on the authorisation limits, so that effective trail is maintained for approval, and journals are reviewed and approved before being posted to the general ledger mitigating the risk of unauthorised journals being posted. We recognise that implementing this control is dependent on it being feasible within the Council's existing accounting system.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice
- TBC – Sufficient work has not been carried out in 2023/24 to assess the full impact of this issue

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Low	**S151 Officer (Chief Financial Officer) having journal entry posting rights in the Agresso general ledger system** During our assessment of the journal process, we identified that the S151 Officer (Chief Financial Officer) has journal entry posting rights in the Agresso general ledger system. While we have not identified any journal entries posted by the S151 Officer during our testing, and therefore reported this as a low-level control deficiency, it is important to note that if an entry is posted by the S151 Officer, it may compromise the effectiveness of controls over journal entries due to the limited supervisory capacity in the approval process	We recommend that there is a review of user rights to the ledger system and consideration is made to whether the S151 Officer should have user rights to post journals.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice
- TBC – Sufficient work has not been carried out in 2023/24 to assess the full impact of this issue

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. From our work to date we have identified the misstatements below.

Impact of adjusted misstatements

The table below outlines adjustments which have been incorporated into the final set of financial statements. The Audit and Standards Committee is responsible for approving management's proposed treatment of all items listed in the table. We have added a comment with the detail of the entry where we are unable to verify if these adjustments are accurate and complete due to time constraints in meeting the backstop deadline.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Impact on unusable reserves £'000
Reconciliation between management's valuer's report and investment properties note During our audit, we identified a difference amounting £1.57 million related to reconciliation between the investment properties note in the financial statements and valuers report for investment properties. Management explained that the difference is due to error in investment properties note as reclassifications out of the investment properties amounting £0.78 million and disposal amounting £0.79 million were omitted. A journal entry has been passed by the management in the financial statement to correct this as stated. However, we are unable to validate and verify these against other areas of the financial statements, as we could not obtain assurance on all of the areas affected by this entry. Consequently, we were unable to perform our audit procedures to confirm if these movements have been correctly amended.	Nil	DR Capital adjustment account reserve – 799 DR Property, plant and equipment – 450 DR Inventories – 323 CR Investment Properties – (1,572)	Nil	Nil	Decrease by 799
Correction in property, plant and equipment and inventories on reconciling Fixed Asset Register (FAR) Management has passed an adjustment in the financial statements, as stated for correction of the property, plant and equipment and inventories as at year end. We have backstopped our testing for these areas for the current year as agreed with the management. This adjustment was made at a very late stage of the audit, which prevented us from conducting procedures to verify its accuracy and obtain assurance over these areas.	Nil	DR Inventories – 28 CR Property, plant and equipment – (28)	Nil	Nil	Nil

C. Audit Adjustments (continued)

Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Impact on unusable reserves £'000
Recording of lease asset and lease liability as at year end for finance lease where Council is lessee Management has recorded the lease asset and lease liability as at the year end for 4 lease contracts related vehicles, which were entered into during the year. We have been unable to conclude whether this adjustment is correct as we have not received management's calculation for lease liability, assessment related to classification of lease as finance lease and the details of input used in the calculation including the lease term, regular payment over lease term, interest rate used for discounting of future payments etc. Therefore, we cannot verify the amount. We are also unable to verify the split between current and non-current liability.	Nil	DR Property, plant and equipment – 1,465 CR Lease liability (Short-term) – (372) CR Lease liability (Long-term) – (1,093)	Nil	Nil	Nil
Reversal of excess interest receivable Management has passed an adjustment in the financial statements to reverse the excess accrual booked for interest receivable as at year end on Money Market Funds (MMF) Investments. Management has made this adjustment at a very late stage of the audit . Therefore, we were unable to perform any procedure on accuracy of this adjustment. However, the amount is immaterial for our audit and does not change our conclusion on the area as described in section 2 of the report.	DR Operating expenses – 33	CR Cash and cash equivalent – (33)	Increase by 33	Decrease by 33	Nil
Movement in reserves Management has passed an adjustment in the financial statements for reclassifying an amount of £108k within general fund reserve from unearmarked to earmarked reserves. We have backstopped our testing for this area for the current year as agreed with the management. This adjustment was made at a very late stage of the audit, which prevented us from conducting procedures to verify its accuracy and obtain assurance in this area.	Nil	DR Earmarked reserves (general fund) – 108 CR General fund – (108)	Nil	Nil	Nil

C. Audit Adjustments (continued)

Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Impact on unusable reserves £'000
Correction of audit fees disclosure Management has made an adjustment in the financial statements to align their general ledger with the audit plan for audit fees and to record reversals of audit fees from prior years due to the backstop of those audits. The reconciliation of the audit fee disclosure and the audit fees is detailed in Appendix E	DR Operating expenses – 75	CR Short-term creditors – (75)	Increase by 75	Decrease by 75	Nil
Correction of grant income recording in subsidiary's (Quercus Housing Limited) individual financial statements for consolidation purposes. Upon review of group, we found that grants received by the subsidiary from council totalling £8.57 million was wrongly recorded as payable to the Council instead of as income in subsidiary's individual financial statements. After discussion with the management, it was determined that the grants should have been recognized as income in both the current and prior years, amounting £1.8 million and £6.2 million, respectively, as the grant conditions were met. Management made the correction in the consolidated financial statements including the reversal for consolidation purposes and the related disclosures. Management has also added a note to explain the prior year error. However, due to time constraints, we were unable to test the underlying figures, leading to an inability to obtain assurance over the accuracy of the consolidation adjustment and the changes in related disclosures.	CR Grant income (Group) – (1,798) CR Operating expenditure (Group) – (1,798) DR Grant income (Group) – 1,798	DR Long-term borrowings (Group) – 7,974 CR Opening profit or loss reserve (Group) – (6,176)	Nil	Nil	Nil
Consolidation adjustment for long-term borrowings and grant income Based on our analysis of the group's long-term borrowings, we identified that a £2.6 million and £0.6 million payable in the subsidiary's (Quercus Housing Limited) financial statement to the Council were not eliminated against the corresponding long-term and short-term receivables, respectively, in the council's financial statements during consolidation. Management has agreed to correct this.		DR Long-term borrowings (Group) – 3,200 CR Long-term receivable (Group) – (2,600) CR Short-term debtors (Group) – (600)	Nil	Nil	Nil
Overall impact	**Increase by (1,690)**	**Increase by 1,690**	**Increase by 108**	**Decrease by 108**	**Decrease by 799**

C. Audit Adjustments (continued)

Misclassification and disclosure changes made in the financial statements

The table below provides details of misclassification and disclosure changes identified during the audit. We recommend management to revise the final set of financial statements based on these findings.

Other than below, there are other minor disclosure typographical, referencing, casting and descriptive errors that have been processed in the different areas of the financial statements. None of these are individually significant enough to warrant separate disclosure.

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
Note 34. Defined benefit pension schemes and Note 35. Contingent liabilities We have identified following changes required in the disclosure as a result of our work on net pension liability: 1) The disclosure with the heading "Return to Asset" needs to be aligned with the management's expert (Barnett Waddingham) IAS 19 report, and the reference to the "AA-rated 19-Year Point of the Merrill Lynch index" needs to be removed as it is not applicable. 2) The duration of liability needs to be corrected from 17 years to 16 years. Additionally, the Rate of Inflation (RPI) should also be added in the disclosure i.e. 3.25%. The mortality assumptions also need to be updated as follows: (see table below) 3) A descriptive disclosure explaining the McCloud and Sargeant judgments and a statement that it has been taken into consideration in the net pension fund liability as at 31 March 2024. 4) In the disclosure for transactions affecting Comprehensive Income & Expenditure Statement (CIES) an amount of £360k is described as "Other." which will be updated to "Experience Loss," as per the IAS 19 report. 5) A contingent liability note regarding the Virgin Media case judgment as suggested by IAS 19 report briefing notes.	We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.

Life expectancy from age 65 (years)	Note 34	IAS 19 Report
Retiring today: Males	21	20.8
Retiring today: Females	23	23.3
Retiring in 20 years: Males	22	22.0
Retiring in 20 years: Females	25	24.7

C. Audit Adjustments (continued)

Misclassification and disclosure changes made in the financial statements

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
Classification and disclosure errors in long-term investments and long-term debtors its impact on financial instruments note We have identified the following changes required on financial instrument note related to long-term investments: 1) Investment in multi-asset income funds amounting £5 million is incorrectly classified as amortised cost and should be classified as fair through profit or loss (FVPL) as per the CIPFA Code requirements. Furthermore, fair value will be disclosed along with the description of how it is determined. 2) Investment in shares of municipal bond agency amounting £50k is incorrectly classified as fair value through other comprehensive income (FVOCI) and should be classified as FVPL as per the CIPFA Code requirements, as there was no formal designation of this investment by the Council as FVOCI Investment. Furthermore, the fair value and the description of how fair value is determined will be changed from cost to appropriate basis. 3) The investment in subsidiaries amounting £3.99 million should be classified at cost as per IAS 27, as agreed by the management, and therefore should be removed from financial instruments note including descriptive disclosure related to investment in subsidiaries. 4) A separate note needs to be added for investment in subsidiaries explaining investment in Quercus 7 Limited is held at cost as per the requirements of IAS 27 and is subject to annual impairment assessment in lines with IAS 36 requirements. Additionally, it will include the result of management's impairment review. The note will also explain that the Council also holds 100% ownership in Quercus Housing Limited, however no investment is recorded as the company is limited by guarantee under the Companies Act. For long-term debtors, the note should include a description of the long-term debtors i.e. loan receivable from subsidiary.	We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.
Classification and disclosure errors in long-term borrowings including its impact on financial instruments note We have identified the following changes: **Borrowings:** 1) The long-term borrowing amount should be reduced by £103k with corresponding increase in short-term borrowing to correct classification error for interest portion on loan wrongly classified. The final balances after adjustment above for long-term borrowing would be £14.267 million (before: 14.370 million) and short-term borrowing should be £5.715 million (before £5.612 million) after above adjustments. 2) A separate note for borrowings should be added to the financial statements instead of combining it with creditors. The note should provide a breakdown of borrowing into long-term and short-term. Additionally, a corresponding line for short-term borrowings should be added to current liabilities on the balance sheet. Furthermore, either the borrowing note or financial instrument note should include the nature and term of the loans, including their maturity dates. **Financial Instrument note:** 1) The balances for long-term and short-term borrowings in the financial instrument note need to align with the note values in 1). 2) In the financial instrument note, management needs to clarify in the narrative disclosure that the fair value for PWLB loan is determined based on the new loan rate.	We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.

C. Audit Adjustments (continued)

Misclassification and disclosure changes made in the financial statements

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
Revenue receipt in advance separate line on balance sheet During the review of the financial statements, it was observed that management has included the revenue grants received in advance, amounting to £446k (as per note 28), within the "receipts in advance" balance under current liabilities on the balance sheet, rather than presenting it separately. Management is required to display revenue grants received in advance balance separately on the balance sheet, in accordance with the CIPFA Code requirements.	We recommend that the relevant disclosure within the financial statements is updated accordingly.	Management agreed to make the changes.
Note 31 Leases The disclosures for the operating and finance lease in the financial statements are not in line with the CIPFA Code requirements, and the following are the misstatements: a) Operating lease (Authority as a lessee) – the amount of expenditure charged to the Comprehensive Income and Expenditure Statements (CIES) is not provided. b) Finance lease (Authority as a lessee) : - The disclosure does not provide the current and non-current portion of the lease liability as at year-end reconciled to minimum lease payments. - The maturity analysis of finance lease liability as at year end is missing. - The detail explaining where the asset acquired is recorded in the balance sheet is not provided. - a comment regarding applicability of contingent rent is missing. c) Finance lease (Authority as a lessor) : - The gross investment in lease total does not match with the gross investment in lease maturity analysis. - a comment on regarding applicability of contingent rent is missing.	We recommend that the relevant disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.
Note 37 Heritage asset In our review of the heritage asset disclosure, we found that the management chose not to recognise the heritage asset on the balance sheet at year-end but instead provided a disclosure as per CIPFA Code. However, we have identified the following adjustments that need to be made to the disclosure: 1) An explanation needs to be included for why the asset is not recognised in the financial statements. 2) Further details about the asset's significance and characteristics should be provided. 3) If available, the valuation amount for insurance purposes should be included; if not available, a disclosure explaining its unavailability should be provided. This will help in providing a clear understanding of why the heritage asset is not recognized on the balance sheet and ensure transparency about its importance, characteristics, and valuation for insurance purposes.	We recommend that the relevant disclosure within the financial statements is updated accordingly.	Management agreed to make the changes.

C. Audit Adjustments (continued)

Misclassification and disclosure changes made in the financial statements

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
Collection fund account disclosures Based on our review of the collection fund disclosures, we have identified the following misstatements: 1) Income and Expenditure Account and Note 3: Under the heading of Income within the NDR column for 23/24, the value for Transitional Protection and Reimbursement of the previous year's estimated Collection Fund deficit has been erroneously interchanged. Transitional Protection should be £4,343k and Reimbursement of the previous year's estimated Collection Fund deficit should be £250k. Furthermore, under the heading of expenditure within the council tax column, the amount of precepts and demands for Kent & Medway Fire & Rescue Authority and the Council is understated by £455k and overstated by £77k respectively when compared to the precept letters and budget setting. This will have an impact on the total of expenditure and thus on the surplus/(deficit) for the year and the balance as at year end for council tax. It will also impact the amount of actual surplus for council tax disclosed in Note 3. 2) Note 1: The note for 22/23 financial statements has been erroneously copied in 23/24 draft financial statements without the numbers being updated for the current or prior year. Hence, the note needs to be updated. 3) Note 2: The total rateable value for the Council's area is incorrectly disclosed as £108,123,047. It should be updated to £109,471,119 based on VOA rateable value as at 31 March 2024. 4) Note 4: The surplus for NNDR should be corrected from 374 to 2,085 as per Income and expenditure account. These adjustments do not have any impact on Comprehensive Income Statement (CIES) or Balance Sheet for the Council.	We recommend that the relevant disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.
Group accounts As part of our review of the financial statements, we identified that management has produced the group accounts without the accompanying notes. Disclosure notes are important for various reasons including the following: 1) notes for material financial statement items are required by accounting standards as it supports the completeness and accuracy of the financial statements. 2) notes provides more information to the users of the financial statements and allows the users understand the nature and transactions within the group (i.e. group accounting policies, significant accounting estimates & judgements, group transactions etc). We have backstopped our testing for this area for the current year as agreed with the management as these disclosures were added at a very late stage of the audit. Therefore, we were unable to perform any procedure on accuracy of the consolidation adjustments and obtain assurance on this area.	We recommend that the relevant disclosure within the financial statements is updated accordingly.	Management agreed to make the changes.

C. Audit Adjustments (continued)

Misclassification and disclosure changes made in the financial statements

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
Note 4 - Critical Judgements in applying accounting policies The critical judgements note requires detailed information regarding the judgements applied in the accounting policies, while removing descriptions that do not constitute judgements as per IAS 8. The following adjustments are suggested: 1) The statement related to rounding off, which is not a judgement in the context of accounting policies, should be removed. 2) The critical judgement concerning the construction of properties for re-sale needs to explain why the expenditure is categorised as inventories instead of an asset under construction (AUC) and clarify the management's judgement regarding the use of statutory override to finance the spend as REFCUS, rather than a capital item. 3) The mention of the prior year accounts not being audited is not a critical judgement in applying any accounting policy and should be removed. 4) The critical judgement for Covid-19 Grants is not applicable for the 2023/24 accounts and should be removed.	We recommend that the relevant disclosure within the financial statements is updated accordingly.	Management agreed to make the changes.
Note 29. Related party transactions Following are the amendments identified: 1) It is recommended to present a single consolidated table, removing duplicate entries for improved clarity and accuracy, as there are currently two tables disclosed displaying similar transactions for payments made during the year, both containing duplicate entries for related parties. 2) A descriptive disclosure should be added for senior officers to explain any material transactions with parties that are related parties due to these senior officers, other than subsidiaries. 3) For subsidiaries, Quercus 7 Limited and Quercus Housing Limited, management need to align the note in accordance with the CIPFA Code requirements to include in transactions for income and expenses and balances held at year end with the council.	We recommend that the relevant disclosure within the financial statements is updated accordingly.	Management agreed to make the changes.
Prior year errors disclosure: As part of our review of the financial statements we have identified that the management have restated prior year figures in respect of following: 1) Presenting separately on the face of the balance sheet;. Revenue grants receipts in advance, amounting £1.212 million in FY23 (FY22: £1.305 million) from receipts in advance, and short-term borrowings of £2.075 million in FY23 (FY22: £0.567 million) from short-term creditors. 2) Adjusting for the elimination of intercompany balances combined in long-term borrowings in FY23 and grant received in advance in FY22 against the profit and loss reserve on the consolidated financial statements, amounting to £6.176 million in both years. 3) Correction of NNDR provision and short-term debtor for precepts against collection fund adjustment account and earmarked reserves, amounting £2.208 million in FY23 (FY22: Nil) and £0.507 million in FY23 (FY22: Nil) respectively. We recommend management to include a note in the financial statements explaining these prior year adjustments. We have not tested these amounts for accuracy therefore we cannot conclude if these adjustment amounts as suggested by management are correct.	We recommend that the relevant disclosure within the financial statements is updated accordingly.	Management agreed to make the changes.

C. Audit Adjustments (continued)

Impact of immaterial unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Impact on unusable reserves £'000	Reason for not adjusting
Undervaluation of scheme assets within pension liability The auditor of the Kent Pension Fund identified a variance of £8.46 million attributed to the undervaluation of scheme assets between the final set of accounts of Kent Pension Fund for the year 23-24 and the IAS26 report produced by the Pension Fund's actuary (Barnet Waddingham). This variance impacts the valuation of scheme assets for the council, based on its share of 1.53%. The calculated variance allocated to the Council, reflecting its share of scheme assets, amounts to £129k, which the management chose not to adjust on the grounds of materiality.	CR Remeasurement of net pension liability (OCI) – (129)	DR Pension fund liability – 129	Nil	Nil	Increase by 129	Not material
Extrapolated error in property, plant and equipment additions during the year During the audit of property, plant, and equipment additions, we identified £37k of revenue expenditure that had been incorrectly capitalised within property, plant, and equipment, resulting in an extrapolated error of £126k. The management chose not to adjust this as it is as extrapolated error.	DR Operating expenses – 126	CR Property, plant and equipment – (126)	Increase by 126	Decrease by 126	Nil	Extrapolated error – Not actual

C. Audit Adjustments (continued)

Impact of immaterial unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Impact on unusable reserves £'000	Reason for not adjusting
Fair value gain on Investment in multi-asset income funds Based on our procedures, we have identified that the assets are currently valued at a cost of £5 million in the balance sheet as of year-end, rather than their fair value of £5.048 million as confirmed by fund managers in their confirmation. This has led to the non-recording of a fair value gain amounting to £48k in CIES. The impact on general fund would then reclassify to a new fair value reserve in Unusable reserves.	CR FV income – (48)	DR Investments – 48 DR General fund – 48 CR Fair reserve (Unusable) – (48)	Decrease by 48	Nil	Increase by 48	Not material
Fair value loss on investment in shares of municipal bond agency Based on our review, we have found that the investment is currently valued at cost of £50k in the balance sheet as at year-end. Following discussions with management, it has been determined that the net assets of the municipal bond agency carry a negative value and considering it as an approximate measure of fair value, the amount should be adjusted to zero, with a fair value loss of £50k recorded in CIES. The impact on general fund would then reclassify to a new fair value reserve in Unusable reserves.	DR FV loss – 50	CR Investments – (50) DR Fair reserve (Unusable) – 50 CR General fund – (50)	Increase by 50	Nil	Decrease by 50	Not material
Overall impact	**Increase by (1)**	**Increase by 1**	**Increase by 128**	**Decrease by 126**	**Increase by 127**	**N/A**

D. Impact of issues that are not yet concluded

The table below presents details of issues for which we were unable to reach a conclusion during the 2023/24 audit due to time constraints in meeting the backstop deadline, therefore as per our agreement with management, we have backstopped our testing for these areas for the current year. We kindly request that management thoroughly assess these misstatements and make any necessary adjustments in their records.

Detail	Auditor recommendations
Estimated payroll cost used by the actuary in pension liability valuation During our audit of the net pension liability, management provided us with supporting evidence for the estimated payroll cost utilised by the actuary in its actuarial valuation, along with its reconciliation to the employee benefit expenditure in the financial statements. In our examination, we identified a total difference of £579k in the reconciliation. We raised this issue with management and the difference remained under discussion without a conclusion due to backstop deadline, therefore we are unable determine if any adjustment is required.	We recommend that management investigates the difference and make the necessary adjustment if required.
Disposal of non-current assets On review of the financial statements, we identified that a gain on disposal of non-current assets amounting £1.48 million have been booked in Comprehensive Income and Expenditure Statement (CIES), however no disposal was shown in the movement during the year in property, plant and equipment note. Based on inquiry with the management, we understood that the council has disposed an asset (land) during the year however it was not accounted for in the movement of property, plant and equipment due to issues with CIPFA Asset Module that generates Fixed Asset Register (FAR). We did not receive the reconciled FAR from the management and therefore we are unable to determine if any adjustment is required.	We recommend that management investigates the difference and make the necessary adjustment if required.
Long-term debtors and long-term investments Following are the issues for which we are unable determine if any adjustment is required, due to backstop deadline: **Long-term investments:** On receiving balance confirmation from Artemis Fund Manager Ltd. as at the year end, we identified a difference of £155k between the book value confirmed by the Fund Manager in their confirmation and the original value of the investments as client. Management was unable to provide us with an explanation of the difference. Therefore, we were unable to determine, if there is any partial disposal of investment which requires adjustment in the financial statements. **Long-term debtors:** This includes loans provided to subsidiary companies, recorded at amortised cost under IFRS 9. According to the requirement of the CIPFA Code, the recording of loans given should be at the present value of future cash flows at the effective interest rate (market rate) instead of the nominal interest rate. We requested an assessment from management to determine whether the nominal rate and effective rate are the same in this case. If they are different, any impact on initial recognition and interest income will need to be corrected in the financial statements. We have therefore unable to determine if any adjustment is required.	We recommend that management identifies the amount required to be corrected in each period and make the necessary adjustments.

D. Impact of issues that are not yet concluded (continued)

Detail	Auditor recommendations
Finance leases not recorded on balance sheet and disclosure errors in operating and finance leases: **Finance Lease as a lessor:** At the year-end, management has not recorded lease receivable for finance leases where the authority acts as a lessor on the balance sheet. The total of future payments disclosed is £128k. We have discussed this issue with management, but they have not provided us with an assessment regarding the factors considered in recording this lease as a finance lease and the impact on derecognition of asset given on lease and the amount of lease receivable based on present value of future receipt over lease term. Once the management records the lease receivable, they would need to make the following disclosure corrections as well to bring it in line with CIPFA requirements: - disclose the current and non-current portion of the lease receivable as at year-end reconciled to gross investment in lease. - Disclose the maturity analysis of minimum lease payment (net investment in lease). **Operating lease (Authority as a lessor):** - The disclosure states that it does not include all the leases, as the management considers them immaterial. The council is required to disclose all the leases as per CIPFA Code. We have not received the working to determine the quantitative impact of this on disclosure. Therefore, we are unable determine the adjustments required. **IFRS 16 impact of application** In accordance with the CIPFA Code requirements (paragraph 3.3.1.2) and IAS 8, management is obligated to disclose the impact of IFRS 16, an accounting standard that has been issued but is not yet adopted for the 23/24 period. It is important for management to include the assessment of this impact on the financial statements for the 24/25 period including the fact it is immaterial. However, we have not received the assessment from management, which is necessary to determine whether the impact will be material. Therefore, we are unable to form a conclusion on this area.	We recommend that management identifies the amount required to be corrected in each period as well as the required disclosure changes and make the necessary adjustments.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Sevenoaks District Council Audit (including Group Audit)	£144,277	£144,277
ISA 315 (Revised) *	£7,530	£7,530
Additional Value for Money (VfM) work (as communicated in audit plan) *	£8,550	£8,550
Additional fee for challenges encountered within 23/24 audit**	-	18,623
Total audit fees (excluding VAT)	**£160,357**	**£178,980**

*These fees are subject to PSAA approval.

**This is also subject to PSAA approval. The fee is based on additional time taking by the audit team to identify, resolve and report on issues identified during the audit over and above that expected. This includes issues pertaining to your fixed asset register and several material adjustments to your original draft financial statements. We have been in discussions throughout with management to ensure that additional time taking adds value insofar as it either resolves issues in year or reports on control findings to take forward into future years.

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing Benefit Assurance (2022/23)	£28,170	TBC
Certification of Housing Benefit Assurance (2023/24)	£29,780	TBC
Total non-audit fees (excluding VAT)	**£57,850**	**TBC**

E. Fees and non-audit services (continued)

Total audit and non-audit fee	
(Audit Fee) £160,357	(Non-Audit Fee) £57,850

A reconciliation of our fees to the financial statements is set out below.

Reconciliation of fees per the financial statements to total fees above (Audit services)	**£'000**
Fees per the financial statement for audit services	190,615
Reconciling item 1: Additional Value for Money (VfM) work (as communicated in audit plan)	8,550
Reconciling item 2: Prior year 20/21 net additional cost	(38,808)
Total Audit fee above	**160,357**

Reconciliation of fees per the financial statements to total fees above (Non- Audit services)	**£**
Fees per the financial statement for non-audit services	35,640
Reconciling item 1: Certification of Housing Benefit Assurance (2022/23)	28,170
Reconciling item 2: Additional accrual for overruns	(5,960)
Total Non-Audit fee above	**57,850**

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.