



Lichfield District Council

Audit Findings Report

Year ended 31 March 2024

September 2024



Lichfield District Council
Frog Lane
Lichfield
WS13 6YU

Private & confidential

18 September 2024

Dear Audit Committee Members

Lichfield District Council - Audit findings for the year ended 31 March 2024

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK) 260 and the National Audit Office Code of Practice 2020 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures and have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of those charged with governance. Under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify. Where, as part of our testing, we identify control weaknesses, we will report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, 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.

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

Yours sincerely

Laura Hinsley
Key Audit Partner
For and on behalf of Azets Audit Services



This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. 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.

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Executive summary

This section summarises for Those Charged with Governance the key findings and other matters arising from the statutory audit of Lichfield District Council for the year end 31 March 2024.

Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2020 ('the Code') we are required to report whether, in our opinion:

- The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 and the Local Audit and Accountability Act 2014.*

We are also required to report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Financial statements

Our audit work remains in progress. To date we have not identified any adjustments to the financial statements which impact your reported financial outturn. We have also identified several disclosure amendments. We have raised recommendations for management as a result of our work.

The following matters require completion:

- Completion of outstanding testing in the following areas: expenditure, income relating to council tax and NDR, valuation of land and buildings, IAS 19 pension disclosures, provisions, employee benefits, debtors, creditors.
- Final engagement lead 'stand back' review of the file and evidence therein
- Receipt and review of the management representation letter
- Receipt and review of the final Statement of Accounts.
- Response from management regarding subsequent events up to the date of the opinion

The Audit Committee is asked to confirm its agreement to management proposals not to amend the financial statements for the unadjusted misstatements.

Subject to the satisfactory resolution of the above matters, we anticipate issuing an unmodified audit opinion. We have also concluded the other information included in the Statement of Accounts is consistent with our knowledge of the Council and the financial statements we have audited.

Executive summary

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, under the National Audit Office (NAO) Code of Audit Practice (the Code).

Value for money

We have completed our value for money work and our detailed findings will be reported in our Auditor's Annual Report at a later date.

We have not identified any significant weaknesses in relation to the Council's Value for Money arrangements.

The Local Audit and Accountability Act 2014 (the Act) requires us to:

- report to you if we have applied any of the additional powers and duties available to us under the Act; and*
- certify the closure of the audit.*

Statutory duties

We have not exercised any of our additional statutory powers and duties.

We expect to be able to certify the closure of the audit at the same time as we issue our audit opinion.

Our audit approach has been based on gaining a thorough understanding of the Council's control environment and has been risk based. This included:

- An evaluation of the Council's internal control environment, including the IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks.

We have not altered our audit plan as formally presented to you on 1 February 2024.

Quality indicators

KEY:

RED:

Significant improvement required

AMBER:

Developing

GREEN:

Mature

The following metrics are important in assessing the reliability of your financial reporting and response to the audit

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	GREEN	The financial statements were received timely and were of good quality. We have identified some disclosure changes and some minor presentation errors.
Quality of working papers provided and adherence to timetable	GREEN	Working papers were provided on time, complete, of good quality, and the audit was able to start on time as planned.
Timing and quality of key accounting judgements	GREEN	Management presented their assessment of significant accounting estimates and key judgements to the Audit Committee on 17 April 2024. These are considered appropriate for the Council.
Access to finance team and other key personnel	GREEN	The finance team have been accessible to us throughout the course of the audit. We experienced slight delays in receiving information from the external valuer and the actuary, however this has not had a significant impact on our work.
Quality and timeliness of Narrative Report and Annual Governance Statement	GREEN	We received the AGS and Narrative with the financial statements. We consider the information included to be accurate, however we have suggested some minor amendments to provide additional information on the council's performance to the reader of the accounts.
Volume and magnitude of identified errors	TBC	We are still completing our work in a number of areas and can't conclude on the volume and magnitude of identified errors at time of writing.

Materiality

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines:

- **clearly trivial** as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
- **material** as an omission or misstatement that would reasonably influence the users of the financial statements.

The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

As set out in our audit plan, we determined materiality at the planning stage as £1,072k for the Council based on 1.75% of gross expenditure. On production of the financial statements we reconsidered our materiality determination. We have not updated our materiality as communicated in the Audit Plan.

We have determined that no specific materiality levels need to be set for this audit.

Materiality area	Planning £000	Final £000	Explanation
Overall materiality for the financial statements	1,072	1,072	This is the equivalent of 1.75% of gross revenue expenditure based on the 2023/24 draft financial statements. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for Councils as the users of the Council's financial statements are considered to be most interested in where the Council has expended their income during the year.
Performance materiality	750	750	Performance materiality has been set at 70% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	53	53	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to those charged with governance.

Key audit findings: significant risks

Significant risks at the financial statement level

The table below summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
<p>Management override of controls</p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none">• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals;• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals;• Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy;• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and• Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.	<p>Subject to final review, our audit work has not identified any significant issues in respect of this risk.</p>

Key audit findings: significant risks

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The tables below summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures

Significant risks	Audit approach	Audit findings and conclusion
<p>Fraud in revenue recognition and expenditure (rebutted)</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to:</p> <ul style="list-style-type: none"> • Little incentive by management to manipulate revenue recognition; and • Limited opportunity to manipulate revenue recognition. <p>We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below:</p> <ul style="list-style-type: none"> • Little incentive by management to manipulate expenditure recognition; and • Limited opportunity to manipulate expenditure recognition. <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Revenue and expenditure recognition: Low 	<p>Whilst we have rebutted the risk of fraud in income and expenditure, we performed the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluating the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year. 	<p>Subject to the satisfactory completion of outstanding matters set out on page 4 and internal review, our audit work has not identified any significant issues in respect of this risk.</p>

Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of other land and buildings and investment property (key accounting estimate)</p> <p>Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.</p> <p>The council carries out a full revaluation each year. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>Investment property is valued annually at fair value, in line with the CIPFA Code. Fair values are categorised by their level in the fair value hierarchy where the Council’s investment property portfolio has been assessed as either level 2 or level 3 for valuation purposes.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area include:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of management’s valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor’s expert; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Considering whether year on year variances resulting from a change in the approach by management’s expert indicate any errors in previous year’s valuations; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and 	<p>Subject to the satisfactory completion of outstanding matters set out on page 4 and internal review, our audit work has not identified any significant issues in respect of this risk.</p>

Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of other land and buildings and investment property (key accounting estimate) continued.</p> <p>These valuations represent key accounting estimates made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings and investment property as a significant risk.</p> <p>We have pinpointed the significant risk around the following:</p> <ul style="list-style-type: none">- Assets where the valuation movement differs to what we would expect based on market movements;- Assets where the inputs used have changed compared to those used in the prior year;- Assets that are new this year;- Any other factors which in our auditor judgement increases the risk of material misstatement in an asset. <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none">• Land and buildings and investment property (valuation): High	<ul style="list-style-type: none">• Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.• We engaged an auditor's expert to support our work in relation to this risk.	

Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of the defined pension fund net liability/asset (key accounting estimate)</p> <p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Defined pension fund net liability/asset (valuation): High 	<p>Procedures performed to mitigate risks of material misstatement in this area include:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert; • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements; • Assessing whether any asset ceiling was appropriately considered in the prior year and if there are any potential adjustments required to the prior year accounts; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council’s share of the investment valuations in the audited pension fund accounts’ and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements. 	<p>Subject to the satisfactory completion of outstanding matters set out on page 4 and internal review, our audit work has not identified any significant issues in respect of this risk.</p>

Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management	No issues to report
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	There were no such concerns identified	No issues to report
Concerns identified in the following: <ul style="list-style-type: none"> • Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed budget 	There were no such concerns identified	No Issues to report

Accounting policies, key judgements and estimates

Accounting policies

We have evaluated the appropriateness of the Council's accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 where appropriate. We have no matters to report.

Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management are set out in the table below, along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Valuation of other land and buildings and investment property (Key accounting estimate)	41,458	<p>The Council revalues its land and building assets on a rolling five-yearly basis, however it is also required to ensure that the carrying amount is not materially different from the fair value for assets that were not revalued at the 31 March 2024. Investment property is revalued annually.</p> <p>The majority of buildings are valued on an Existing Use value, there were a smaller number of buildings valued on a Depreciated Replacement Cost basis.</p> <p>The Council engaged an external professional valuer (Gerald Eve) to perform the valuation of land and buildings in 2023/24.</p>	<ul style="list-style-type: none"> We assessed the appropriateness of the valuation basis used in line with our knowledge of the functions of the assets. We confirmed the experience and objectivity of management's expert. We reviewed the assumptions and comparable data used by management's expert for reasonableness. We have used an auditor's expert to provide assurance over the valuation approach used by managements expert. For assets not revalued in year we have reviewed how management have assessed that the value is not materially different to their current value. <p>At time of writing, we have not completed our work in this area.</p>

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment																							
Valuation of the defined pension fund net liability/asset (key accounting estimate)	11,033	<p>The Council is a member of the Staffordshire Local Government Pension Fund (LGPS). The Council's net pension liability as at 31 March 2024 is £11,033k compared to £11,630k at 31 March 2023.</p> <p>On 01 April 2023 the Council's previously outsourced leisure centres were brought back into the Council's wholly owned subsidiary LWMTS. The employees associated with the leisure centres were already members of the LGPS and are now included within the pension disclosures for the Council.</p> <p>Hymans Robertson provide actuarial valuations of the Council's share of the assets and liabilities of the pension fund.</p>	<ul style="list-style-type: none"> Reviewed the information provided to the actuary by the Council Assessed the expertise, experience and objectivity of the expert used by management. We have reviewed the approach and assumptions used by management's expert (Hymans Robertson). We have used an auditor's expert (PWC) to assess the reasonableness of the assumptions used by management's expert. We have held discussions with the auditors of the pension fund (KPMG) to understand the reasonableness of the asset values and scheme membership data used by the actuary. Reviewed the arrangements for the treatment of the leisure staff that have transferred to LWMTS 																							
			<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PWC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.85%</td> <td>4.80-4.85%</td> <td>Within acceptable range</td> </tr> <tr> <td>Pension increase rate</td> <td>2.75%</td> <td>2.75-2.80%</td> <td>Within acceptable range</td> </tr> <tr> <td>Salary growth</td> <td>3.25%</td> <td>2.80-3.85%</td> <td>Within acceptable range</td> </tr> <tr> <td>Life expectancy – males currently aged 45-65</td> <td>21.2 /21.8 years</td> <td rowspan="2">PWC have concluded that these are reasonable and robust approaches for IAS 19 reporting which give a reasonable best estimate of current mortality rates.</td> <td></td> </tr> <tr> <td>Life expectancy – females currently aged 45-65</td> <td>24.4/ 25.6 years</td> <td></td> </tr> </tbody> </table>	Assumption	Actuary value	PWC range	Assessment	Discount rate	4.85%	4.80-4.85%	Within acceptable range	Pension increase rate	2.75%	2.75-2.80%	Within acceptable range	Salary growth	3.25%	2.80-3.85%	Within acceptable range	Life expectancy – males currently aged 45-65	21.2 /21.8 years	PWC have concluded that these are reasonable and robust approaches for IAS 19 reporting which give a reasonable best estimate of current mortality rates.		Life expectancy – females currently aged 45-65	24.4/ 25.6 years	
Assumption	Actuary value	PWC range	Assessment																							
Discount rate	4.85%	4.80-4.85%	Within acceptable range																							
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Life expectancy – males currently aged 45-65	21.2 /21.8 years	PWC have concluded that these are reasonable and robust approaches for IAS 19 reporting which give a reasonable best estimate of current mortality rates.																								
Life expectancy – females currently aged 45-65	24.4/ 25.6 years																									
			At time of writing, we have not completed our work in this area.																							

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	2,144	Building depreciation is based on the asset lives determined by professional valuers. Plant and machinery, medical equipment and intangibles are based on industry standards and key staff knowledge and experience. Asset lives remain under constant review.	We are still completing work in this area
Accruals	3,999	Accruals are created where the Council has incurred a liability but has not yet received an invoice or made a payment against the liability. These accruals are calculated on the latest information available at the time and are reviewed by the management accounting team.	We are still completing work in this area
Provisions	2,395	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. The council currently has one material provision within its accounts which for NDR appeals.	We are still completing work in this area

Financial statements: other responsibilities

Matter	Commentary	Findings
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit.	We are satisfied that there is no risk of material misstatement due to fraud.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.	We have no issues to report in response to this area.
Matters in relation to compliance with laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any instances from our audit work.	We have no issues to report in response to this area.
Written representations	A letter of management representations will be requested from the Council once we have concluded our work on the significant risks areas of the accounts.	A draft Letter of Representation has been provided to the Audit Committee. At time of writing we have no additional representations to include, however we will consider this again at the conclusion of our work.
Confirmation requests from third parties	We requested permission from the Council to send confirmation requests to organisations with whom the council has balances for investments and/or borrowing. Confirmations are still outstanding from a number of these organisations.	We have no issues to report in response to this area.
Disclosures	Our review found no material omissions in the financial statements	We have no issues to report in response to this area.

Financial statements: other responsibilities

Matter	Commentary	Findings
<p>Going concern</p>	<p>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). Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the ‘CIPFA Code’ and Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Council.</p>	<p>We concur with management’s assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.</p>
<p>Other information included in the Financial Statements: Narrative Report and Annual Governance Statement</p>	<p>We are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated.</p>	<p>We identified some minor changes to provide additional information on the council’s performance to the reader of the accounts.</p>
<p>Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> • If the annual governance statement does not comply with the 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 	<p>We have nothing to report by exception.</p>

Financial statements: other responsibilities

Matter	Commentary	Findings
Specified procedures for the Whole of Government Accounts (WGA)	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the threshold for detailed testing.</p>	<p>We will submit our assurance statement to the NAO after the audit has been concluded.</p>
Certification of closure of the audit	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We intend to certify closure of the audit in our auditor's report.</p>

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made in the final set of financial statements. **The Audit Committee is required to approve management's proposed treatment of all items in the table below.**

Detail	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on general fund £000
Surplus land was held at the correct value within the accounts upon being transferred to assets held for sale:			
DR Revaluation Reserve £250,000		250,000	
CR Assets held for sale (£250,000)	0	(250,000)	0
Overall impact			

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure change	Auditor recommendation	Adjustment agreed Y/N?
The Note 38 disclosure of the MIRS reversal of net charges made to the surplus of deficit on provision of services adjustment incorrectly includes other pensions reserve movements. The figures disclosed in Note 6 as adjustments between accounting and funding basis are aligned with expectations	The £(856)k should be updated to read £(2,523)k in line with Note 6. The PY comparative should also be updated from £19,801k to £(5,351)k in line with Note 6.	Y
The asset ceiling adjustment has not been included in in the table in Note 38, however the total figure is correct.	Include the value of £10,380k for the asset ceiling in note 38.	Y
Note 12 does not include any commentary to explain the asset held for sale which is a material value in the accounts.	Narrative should be included in note 12 regarding the asset held for sale.	TBC
The figures for income and expenditure from investment properties in Note 14 have the opposite sign from PY, with income now being negative when it was previously positive. The narrative for the gains / losses has not been updated, therefore the £960k net gain presents as a loss	The wording should be updated to "(gains) / losses" for the revaluation and net lines..	Y
We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts.	Management should adjust for all minor presentational, formatting and disclosure issues identified by the audit team	Y

Audit adjustments

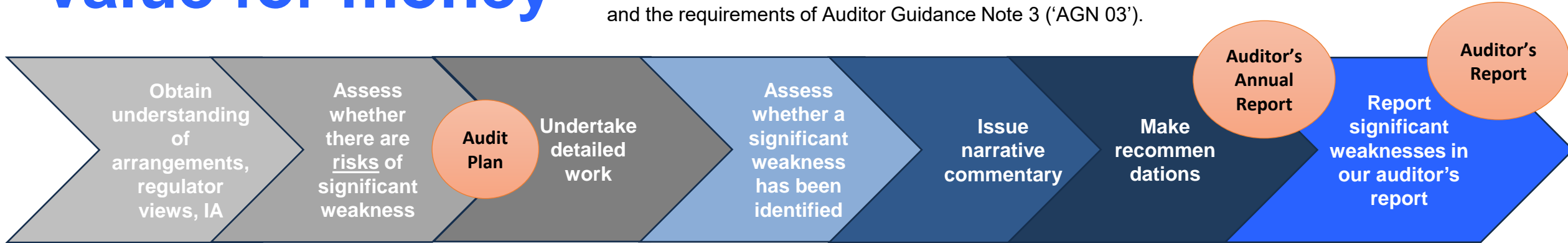
Impact of prior year unadjusted misstatements

The table below sets out the adjustments identified during the prior year audit that have not been adjusted in the final set of financial statements for 2023/24. The Audit Committee is required to approve management's proposed treatment of all items in the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on equity£'000	Reason for not adjusting
Asset revalued to £865,000 but is carried at the unadjusted amount of £1,250,000	-	Credit-NCA -£385	Decrease surplus £0	Debit -Revaluation reserve £385	Impact is considered immaterial.
Overall impact	-	-£385	£0	£385	

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice and the requirements of Auditor Guidance Note 3 ('AGN 03').



In undertaking our work, we have not identified any significant weaknesses in arrangements. Our detailed commentary is in our Auditor's Annual Report.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	No	No
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	Yes

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession’s ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC’s Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office’s Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- **Non-audit services:** There are no non-audit services provided for the Council OR we provide assurance services as set out below
- **Contingent fees:** No contingent fee arrangements are in place for any services provided
- **Relationships:** We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Assurance service fees

Service	Fee £	Threats identified	Safeguards
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2023/24)	£28,000 (plus £2,000 for each additional workbook)	Self- interest Self-review Managemen t	Self-interest: Given these are likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or the Council. The fees are fixed and not contingent in nature. Self-review: Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management. Management: As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report. We therefore consider these risks sufficiently mitigated.

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Appendix I: Internal control recommendations

We set out here the recommendations we have identified during the course of our audit. The matters reported here are limited to deficiencies we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards. Recommendations arising from our value for money work are reported separately in our Auditor’s Annual Report.

Assessment	Issue	Recommendation	Management response
Amber	<p>The Section 151 officer does not have the rights to post journals within the Civica Financials system which is a control measure to prevent management override of control.</p> <p>Our journals testing identified a small number of journals which were prepared and posted by a member of the finance team after being asked to do so by the Section 151 officer, effectively circumnavigating the above control.</p> <p>The journals that the S151 officer requested to be posted were in relation to specific areas of the statement of accounts, could be properly supported by working papers, and were not deemed to be unusual or outside of the normal course of business. We did not observe any evidence of management override of controls through such journals.</p> <p>We inquired of finance team members whether they had ever been asked by the S151 officer to post a journal that seemed unusual or outside the course of normal business. There were no instances of this highlighted to us.</p>	<p>Management should remove the need for the S151 to prepare journals. Alternatively, management should consider assigning journal posting rights to the S151 officer to allow them to post the journals that they require whilst also implementing a more rigorous review process for any journals posted by the S151 officer.</p>	<p>Due to lack of capacity within the finance team, Anthony has to complete areas such as the collection fund, which is not ideal. There is a new member of staff starting that should increase capacity and allow this to be taken back off of Anthony. The finance team have been gradually taking responsibilities off Anthony for work that may require journals, such as PPE.</p>

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix II: Fees

We set out below our final fee for the audit (excluding VAT and disbursements) and our fees for other services.

	Proposed fee (as per Audit Plan) £	Final fee £
Base fee for the audit of the Council financial statements (as set out in the fee scales issued by PSAA)	139,087	139,087
ISA 315	20,863	20,863
Group accounts assessment	2,500	2,500
Total fees charged	162,450	162,450

Assurance service fees

Service	Fee £
Housing Benefit 2023/24 *	28,000

* Subject to change based on complexity of HBAP grant certification. Additional workbooks are charged at £2,000 each.

The audit fees charged reconcile to the fees disclosed in the financial statements.

The fees relating to Housing Benefit Assurance are £30,000 in the draft accounts, compared to £28,000 in our audit plan, as the Council has included the cost of an additional housing benefit workbook. This will be amended to reflect the fee quoted in the audit plan.



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