# East Staffordshire Borough Council

## Audit Findings Report

Year ended 31 March 2024

November 2024

East Staffordshire Borough Council
King Edward Place
Burton Upon Trent
DE14 2EB

**Private & confidential**

27 November 2024

Dear Audit Committee Members

**East Staffordshire Borough 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 2024 (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

# Contents



## Your key team members


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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 East Staffordshire Borough 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 2024 ('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 is nearing completion. To date we have identified a number of adjustments to the financial statements, pertaining to three areas, that have resulted in a £1.011m deterioration to your reported surplus on provision of services and a £16.518m improvement to your reported Total Comprehensive Income and Expenditure for 2023/24. The impact to the General Fund is NIL. We have identified several disclosure amendments. We have also raised a number of control recommendations for management as a result of our work.

The following matters require completion:

- Finalising outstanding queries on leases;
- Auditor's write up following queries being resolved by the client;
- Response from the Staffordshire Pension Fund auditor;
- Final manager and partner review of the audit file;
- Final engagement lead 'stand back' review of the file and evidence therein;
- Receipt and review of the management representation letter;
- Receipt and final review of the final amended Statement of Accounts;
- Completion of our Whole of Government accounts work;
- Response from management regarding subsequent events up to the date of the opinion.

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 our detailed findings will be reported in our Auditor’s Annual Report.

We have not identified any significant weaknesses.

*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 upon completion of our work on whole of government accounts.

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 in February 2024.

# Quality indicators

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

**Key:**
**Red:** Significant improvement required
**Amber:** Developing
**Green:** Mature

| Metric | Grading | Commentary |
|---|---|---|
| **Quality and timeliness of draft financial statements** | **Green** | Management provided draft accounts to the audit team in line with our expected timeframes. The draft financial statements were complete and upon initial review appeared to be of good quality. |
| **Quality of working papers provided and adherence to timetable** | **Green** | Management provided working papers of good quality and in line with our expectation from a timeframe perspective. |
| **Access to finance team and other key personnel** | **Green** | Responses to queries were generally of good quality and received in a timely manner.<br><br>We spent some time onsite, however, we feel this could be better utilised in future years and will work with management to ensure we find the best solution for the finance and audit team. |
| **Quality and timeliness of Narrative Report and Annual Governance Statement** | **Amber** | On initial review, we noticed that the Annual Governance Statement was not included alongside the unaudited statement of accounts. Once notified, the Council subsequently uploaded the statement and this did not impact the public inspection window. The council should ensure this is uploaded together in future years to minimise any concerns and ensure the public have full access to the document for the full public inspection window. |
| **Volume and magnitude of identified errors** | **Amber** | We have identified a number of material adjustments to the financial statements as reported in Appendix I. We have also identified two prior period errors which have resulted in prior period adjustments as set out on pages 14 and 15. |

# 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 £1,282k for the Council based on 1.8% of gross expenditure. On production of the financial statements, we reconsidered our materiality determination. We have considered it appropriate to update our materiality due to the change in gross expenditure for 2023/24.This is set out below.

We have determined that no specific materiality levels need to be set for the Council.

| Materiality area | Planning £000 | Final £000 | Explanation |
|---|---|---|---|
| **Overall materiality for the financial statements** | 1,282 | 1,465 | This is the equivalent of 1.8% 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** | 833 | 952 | Performance materiality has been set at 65% 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** | 64 | 73 | This is set at 5% of the headline materiality calculation.<br><br>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 |
|---|---|---|
| **Management override of controls**<br><br>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.<br><br>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.<br><br>Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.<br><br>**Risk of material misstatement: Very High** | Procedures performed to mitigate risks of material misstatement in this area included:<br><br>• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals;<br>• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals;<br>• 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;<br>• 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<br>• Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions. | Our audit work has not identified any significant issues in respect of this risk. |

# 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 |
|---|---|---|
| **Fraud in revenue recognition and expenditure (rebutted)**<br>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.<br>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:<br><br>• Little incentive by management to manipulate revenue recognition; and<br>• Limited opportunity to manipulate revenue recognition.<br><br>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:<br><br>• Little incentive by management to manipulate expenditure recognition; and<br>• Limited opportunity to manipulate expenditure recognition.<br><br>**Inherent risk of material misstatement:**<br>**Revenue and expenditure recognition: Low** | Procedures performed to mitigate risks of material misstatement in this area included:<br><br>• 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;<br>• 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;<br>• Evaluating the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code; and<br>• Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year. | Our audit work has not identified any significant issues in respect of this risk.<br><br>We identified a material adjustment in relation to an under-accrual of a capital accrual which is reported on Appendix I.<br><br>We are satisfied that both revenue and expenditure are materially correct after this adjustment has been made. |

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# Key audit findings: significant risks

| Significant risks | Audit approach |
|---|---|
| **Valuation of land and buildings and investment property (key accounting estimate)**<br><br>Revaluation of land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated. Land and buildings are held at fair value and revalued as part of the five-year rolling programme. A full revaluation was carried out in 2023/24.<br><br>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.<br><br>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.<br><br>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 land and buildings and investment property as a significant risk.<br><br>We further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.<br><br>**Inherent risk of material misstatement:**<br><br>**Land and buildings and investment property (valuation): High** | Procedures performed to mitigate risks of material misstatement in this area included:<br><br>• Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;<br>• Evaluating the competence, capabilities and objectivity of management's valuation expert;<br>• Considering the basis on which the valuations are carried out and challenging the key assumptions applied;<br>• 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;<br>• For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding;<br>• 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<br>• 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. |

# Key audit findings: significant risks

| Significant risks | Audit findings and conclusion |
| --- | --- |
| **Valuation of land and buildings and investment property (key accounting estimate)**<br><br>We have pinpointed the significant risk around the following:<br>- Assets where the valuation movement differs to what we would expect based on market movements;<br>- Assets where the inputs used have changed compared to those used in the prior year;<br>- Any other factors which in our auditor judgement increases the risk of material misstatement in an asset. | Our audit work has not identified any significant issues in respect of this risk.<br><br>We are satisfied that the valuation of land and buildings and investment property are materially correct. |

# Key audit findings: significant risks

| Significant risks | Audit approach | Audit findings and conclusion |
|---|---|---|
| **Valuation of the defined benefit pension net liability (IAS19) (key accounting estimate)**<br><br>An actuarial estimate of the net defined pension asset/liability 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.<br>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.<br>This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, 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 as a significant risk.<br><br>**Inherent risk of material misstatement:**<br><br>**Defined pension fund net liability (valuation): High** | Procedures performed to mitigate risks of material misstatement in this area included:<br><br>• Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work;<br>• Evaluating the competence, capabilities and objectivity of the actuary;<br>• 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;<br>• Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert;<br>• Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements;<br>• 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<br>• Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements. | Subject to the pension fund auditor responding to our enquiries as set out on page 4, our audit work has not identified any significant issues in respect of this risk.<br><br>Subject to the above, we are satisfied that the valuation of the defined benefit pension net liability is materially correct.<br><br>We have identified and reported a prior period adjustment in relation to the 2022/23 pension liability. This is detailed on page 14. |

# 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 significant management judgements which required additional audit work or where there was a disagreements over the judgement used by management. | We identified two prior year adjustments as reported on pages 14 and 15. Our audit adjustments agreed with management can be found in Appendix I. |
| Concerns identified in the following:<br>• Consultation by management with other accountants on accounting or auditing matters<br>• Matters significant to the oversight of the financial reporting process<br>• Adjustments / transactions identified as having been made to meet an agreed budget. | No such concerns identified. | No issues to report. |

# Key audit findings: other areas of focus

| Area of focus | Issue | Audit findings and conclusion |
|---|---|---|
| Prior year adjustments identified | We identified two prior period errors which led to adjustments in relation to:<br>1. Pension liability<br>2. Infrastructure assets<br><br>**Pension liability**<br>We identified that no consideration was made in 2022/23 as to an additional liability which can arise as a result of the contributions for past service costs in line with the requirements of IFRIC 14. This was missed due to the Council being in a net liability position, therefore an asset ceiling paper was not produced for the Council by the actuary.<br><br>However, the Council are still subject to the requirement to consider an additional liability arising as part of this calculation. We requested the Council to undertake this assessment with their actuary. This has led to a material adjustment of an £16,734k increase in the pension liability as at 31 March 2023 and decrease of £16,734k to the total Comprehensive Income and Expenditure in 2022/23.<br><br>In the current year, this has led to an adjustment resulting in an increase in pension interest of £795k. | Details of these adjustments have been included on Appendix I, with detailed changes to all notes affected set out in Appendix IV.<br><br>Management have made the necessary disclosure per the requirements of IAS 8. |

# Key audit findings: other areas of focus

| Area of focus | Issue | Audit findings and conclusion |
|---|---|---|
| Prior year adjustments identified (continued) | **Infrastructure assets**<br>During the year, the Council identified a number of infrastructure assets as disposals which were no longer in use by the Council through an internal existence exercise.<br><br>Upon further review as part of our audit work, these assets were identified as not meeting the definition of fixed assets by the Council and should never have been capitalised and accounted for on the Council's Balance Sheet.<br><br>There are 20 infrastructure assets which this relates to. This has been corrected through a prior period adjustment to remove them from the Property, Plant and Equipment held by the Council.<br><br>This correction has also impacted the 2023/24 financial year and has resulted in a current year adjustment. As the prior period adjustment has corrected the Council's position to not include these assets in their balance sheet, a current year adjustment has been made to remove the depreciation charge, disposals derecognition and gain/loss on disposal. This correction has been made as the Council should not have accounted for these assets and have corrected this through a prior period adjustment. Therefore, the 2023/24 adjustment is to write back these transactions on the basis of this never should have been accounted for.<br><br>To ensure compliance with IAS 8 requirements, the balance at the beginning of the prior period (1 April 2022) has also been reported through including a third Balance Sheet.<br><br>More details on both of these prior period adjustments are included within the financial statements note 46. | Details of these adjustments have been included on Appendix I, with detailed changes to all notes affected set out in Appendix IV.<br><br>Management have made the necessary disclosure per the requirements of IAS 8. |

# 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 land and buildings and investment property (key accounting estimate) | 51,730 (land and buildings)<br><br>12,421 (investment property) | The accounts include estimates with regard to the valuations of property, plant and equipment valued at £52.080m. Professional valuers are engaged to provide expert advice in line with the RICS guidance in relation to these valuations. Estimates and assumptions are provided from a number of sources including, for example, relevant market evidence where it is available, rebuild costs and the expected life of the asset. | We identified the valuation of land and buildings and investment property as a significant risk to the audit. Our work to address this risk is set out on pages 10 and 11.<br><br>We have not identified any issues with management's approach and are satisfied that the key judgements and estimates used in the calculation are complete, appropriate and reasonable given our knowledge of the Council. |

# 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 benefit pension net liability (IAS19)<br>(key accounting estimate) | £19,642 | The pension net liability depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension assets.<br><br>A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions applied.<br><br>The estimated net pension liability includes an asset ceiling adjustment for both the 2023/24 and 2022/23 periods. | We identified the valuation of the defined pension fund net liability as a significant risk to the audit. Our work to address this risk is set out on page 12.<br><br>We have not identified any issues with management's approach in 2023/24, subject to receipt of information set out on page 4.<br><br>We identified a prior period adjustment relating to an error in 2022/23. Details of this are set out on pages 14 and 15. As a result of the prior period adjustment, we have also identified a current year adjustment relating to pension interest. Details of this are set out on Appendix I.<br><br>PWC act as an auditor's expert in relation to the IAS 19 reports provided by the Council's actuary Hymans Robertson. We are satisfied that the assumptions used by the actuary are in line with the expectation of our auditor's expert. |

# Accounting policies, key judgements and estimates

| Other judgement or estimate | Value in accounts £000 | Summary of management's approach | Audit comments and assessment |
|---|---|---|---|
| Minimum revenue provision (MRP) | 855 | The Council is responsible on an annual basis for determining the amount charged for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.<br><br>The year end MRP charge was £855k, a net increase of £13k from 2022/23. | We have considered whether the MRP has been calculated in line with the statutory guidance.<br><br>We have considered whether the Council's policy on MRP complies with statutory guidance.<br><br>In doing so, we have assessed whether there have been any changes to the Council's policy on MRP and assessed the reasonableness of the change in the MRP charge.<br><br>We are satisfied that management's process for producing this estimate is robust. Key assumptions are neither overly optimistic or cautious. |
| Depreciation | 1,930 | Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives at 1 April each year. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are yet available for use (i.e. assets under construction). Depreciation commences on newly acquire assets in the year after acquisition. | We have concluded that depreciation is materially correct and calculated in line with the Councils policy.<br><br>We are satisfied that managements approach is appropriate, however, we have raised one best practice recommendation relating to the setting of useful economic lives of assets as we identified a small number of assets that were fully depreciated but still in use. |

# Accounting policies, key judgements and estimates

| Other judgement or estimate | Value in accounts £000 | Summary of management's approach | Audit comments and assessment |
|---|---|---|---|
| Business rates provision | 2,321 | The Council has made a provision for NNDR Appeals based on its best estimate of the actual liability as at the year-end in known appeals and an estimate of future appeals against the current 2023 list, and the outstanding 2017 list. These estimates are based on historical data in relation to the level and success of appeals, it is possible that the actual costs may exceed provision based on historical data analysis. | We have performed work to document our understanding of the provision, ensure compliance with IAS 37, ensured compliance with the CIPFA code and tested the accuracy and completeness of the provisions.<br><br>We have no issues to report in relation to this. |
| Provision for impairment of receivables | 1,926 | The provision for bad debts includes £1.926m (£1.836m in 2022/23) relating to general customer accounts and housing benefit overpayments, £0.716m (£0.662m in 2022/23) relating to the authority's share of outstanding Council Tax and £1.006m (£1.030m in 2022/23) relating to the authority's share of outstanding Business Rates. It is based on historical recovery rates and incorporates other relevant assumptions. | We have obtained an understanding of the methods used by management to determine the provision for impairment of receivables. We have performed sample testing on this to agree the debt and consider the recoverability of the debt.<br>We have no issues to report in relation to this. |
| Fair value of financial instruments | 52,192 (assets)<br><br>8,839 (liabilities) | Financial assets i.e. amounts invested, are classified based on a classification and measurement approach that reflects the business model for holding the assets and their cash flow characteristics.<br><br>Financial liabilities are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. | We are satisfied that the fair value of financial instruments is materially stated. |

# 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. However, we have included a control recommendation as a result of a finding as part of our work in related parties. This is included in Appendix I. | 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 has been requested from the Council. | Please refer to the letter of representation included alongside this report. |
| **Confirmation requests from third parties** | All requested confirmations have been received. | 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 |
|---|---|---|
| **Going concern** | 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).<br>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. | 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. |
| **Other information included in the Financial Statements: Narrative Report and Annual Governance Statement** | 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. | Following managements minor updates to the other information, we have nothing to report in this regard. |
| **Matters on which we report by exception** | We are required to report on a number of matters by exception:<br>• 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<br>• If we have applied any of our statutory powers or duties<br>• Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. | We have nothing to report on these matters. |

# Financial statements: other responsibilities

| Matter | Commentary | Findings |
|---|---|---|
| **Specified procedures for the Whole of Government Accounts (WGA)** | We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in July 2024 which set out the procedures that the NAO require from component auditors.<br><br>The Council does not exceed the audit threshold for detailed testing set out in the group instructions, submission of a partial assurance statement is therefore required, However, the instructions state that the NAO may direct auditors of components below the audit threshold to undertake additional work | We will submit our partial assurance statement to the NAO after the audit has been concluded and await further guidance on whether or not any additional testing is required. |
| **Certification of closure of the audit** | We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code. | We cannot issue our certificate of closure until the NAO have confirmed whether any additional testing is required for WGA. Our auditor’s report will therefore include a delayed certificate. |

# 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.

### Impact of adjusted misstatements

Details of items corrected following discussions with management are as below.

| Detail | Comprehensive Income and Expenditure statement (£000) | Balance Sheet £000 | Impact on general fund £000 | Impact on general fund £000 |
|---|---|---|---|---|
| Infrastructure disposals adjustment* | | | | |
| In 2023/24: | | | | |
| Dr Infrastructure assets | | 46 | | |
| Cr Depreciation expense | (46) | | Nil | (46) |
| To correct the historic depreciation charged previously recognised | | | | |
| Dr Infrastructure asset | | 802 | | |
| Cr Other operating expenditure | (802) | | Nil | (802) |
| To correct the loss on disposal previously recognised | | | | |
| As at 1 April 2022 (prior year correction): | | | | |
| Dr Unusable reserves (capital adjustment account) | | 848 | | |
| Cr Infrastructure asset | | (848) | Nil | Nil |
| *Please note the full adjustment has not been included above for ease of understanding. This is included at Appendix IV. | | | | |

# 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.

### Impact of adjusted misstatements

Details of items corrected following discussions with management are as below.

| Detail | Comprehensive Income and Expenditure statement (£000) | Balance Sheet £000 | Pensions reserve £000 | Impact on general fund £000 | Impact on (surplus)/deficit on provision of service |
|---|---|---|---|---|---|
| Pensions adjustment: | | | | | |
| In 2022/23: | | | | | |
| Dr Asset Ceiling Adjustment (other comprehensive income and expenditure) | 16,734 | | (16,734)* | Nil | Nil |
| Cr Pension Liability | | (16,734) | | | |
| The Movement in Reserves Statement has also been updated to reflect the increase of the pension liability of £16,734. | | | | | |
| Impact on 2023/24 opening balances | 16,734 | (16,734) | (16,734) | Nil | |
| In 2023/24: | | | | | |
| Dr Financing and investment income and expenditure | 795 | | | Nil | 795 |
| Cr Asset Ceiling Adjustment (other comprehensive income and expenditure) | (17,529) | | 17,529 | | |
| Dr Pensions reserve opening balance | | | 16,734* | | |
| The Movement in Reserves Statement has been corrected in both 2022/23 and 2023/24 to reflect the above adjustments. | | | | | |
| *Impact of these two entries NIL, but shown for clarity. | | | | | |
| **Overall impact in 2023/24 of pension adjustment** | (16,734) | Nil | (17,529) | Nil | 795 |

# 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.

**Impact of adjusted misstatements**

Details of items corrected following discussions with management are as below.

| Detail | Comprehensive Income and Expenditure statement (£000) | Balance Sheet £000 | Impact on general fund £000 | Impact on (surplus)/deficit on provision of service |
|---|---|---|---|---|
| Dr Cost of Services (regeneration and development)<br>Cr Accruals<br><br>To correct the under accrual of expenditure identified as part of our sample testing to identify unrecorded liabilities.<br><br>We have isolated this error to only those which are capital in nature funded through REFCUS. This is due to management not being aware that capital works were being carried out to know whether an appropriate accrual was required. We identified this as an error by reviewing after date invoices.<br><br>To assess this error, we considered invoices after year end which related to capital expenditure to ensure that they had been appropriately accounted for. No other issues were noted. We are therefore able to conclude on the true error above which management have adjusted for. | 1,064 | <br>(1,064) | Nil | 1,064 |
| **Overall reduction to Surplus on provision of services for 2023/24**<br>Infrastructure disposals<br>Pensions<br>Correction of under accrual | (1,011) | N/A | Nil | (1,011) |
| **Overall increase to Total Comprehensive Income and Expenditure**<br>Including asset ceiling adjustment | 16,518 | N/A | Nil | 16,518 |

# Audit adjustments

**Impact of unadjusted misstatements**

We have not identified any unadjusted misstatements during the audit.

# 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? |
|---|---|---|
| Note 3 – Estimation Uncertainty<br>We identified through discussion with management various disclosure changes to note 3 to ensure this was up to date with findings from the audit, relevant and clear to the reader. | Management should ensure note 3 is updated with the proposed changes. | Yes |
| Note 14 – Investment Property<br>We identified incorrect classification of level 3 investment property which should have been classified as level 2 in both the prior year (22/23) and current year (23/24). This was also confirmed with the Council's valuer. | Management should reclassify the investment property as level 2 investments. | Yes |
| Note 46 - Prior period adjustment<br>We identified two prior year errors and as such, requested management to adjust for these due to the material nature. We therefore identified a number of disclosure amendments to ensure that the Council were complying with the requirements of IAS 8. | Management should ensure they have included disclosures in line with IAS 8 for the prior period adjustments for both Pensions and Disposals. | Yes |
| Narrative Statement and Annual Governance Statement<br>We noted minor changes to the Narrative Report and Annual Governance Statement, to ensure it is accurate, compliant with the Code requirements and consistent with our understanding. | Management should ensure that the other information produced alongside the financial statements is consistent and accurate. | Yes |
| Note 38 – Related Parties<br>We noted minor changes required to the disclosure of related parties to ensure that local authorities with material transactions had been included. | Management should ensure that this disclosure is reflective of the changes proposed. | Yes |

# Audit adjustments

## Misclassification and disclosure changes (continued)

| Disclosure change | Auditor recommendation | Adjustment agreed? |
|---|---|---|
| Note 44 – Pensions<br>We identified some disclosure changes relating to the pension disclosure note. This included updating a reference to the prior year and ensuring that the sensitivity analysis table disclosed was reflective of the IAS 19 report produced by the actuary. | Management should update the disclosure in note 44 in line with the identified changes. | Yes |
| Note 18 – Financial Instruments<br>A disclosure change was noted within the Financial Assets disclosure. Total debtors in the draft accounts was disclosed as £nil and should be disclosed as £788k. | Management should ensure the disclosure is updated to reflect the correct amount of £788k. | Yes |
| Minor presentational, formatting, casting, consistency and disclosure issues<br>We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts including updates to ensure prior year comparatives agreed to the prior year signed accounts. | Management should adjust for all minor presentational, formatting and disclosure issues identified by the audit team | Yes |

# 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) | Balance Sheet £000 | Impact on general fund £000 |
|---|---|---|---|
| DR Plant, Property and Equipment<br>CR Depreciation<br><br>To reflect the impact of extending asset lives beyond that used to estimate depreciation. | <br>(169) | 169 | <br>Nil |
| DR Net pension liability<br>CR Remeasurement of the net defined pension liability<br><br>To reflect the understatement in LGPS pension assets data submitted to the actuary. | <br>(261) | 261 | <br>Nil |
| **Overall impact** | Nil | Nil | Nil |

The reason for not adjusting these is due to, in total, the adjustments not having a material impact to the financial statements.

# 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**<br>How the body plans and manages its resources to ensure it can continue to deliver its services | No | No | No | TBC |
| **Governance**<br>How the body ensures it makes informed decisions and properly manages risk | No | No | No | TBC |
| **Improving economy, efficiency and effectiveness**<br>How the body uses information about its costs and performance to improve the way it manages and delivers its services | No | No | No | TBC |

# 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
- **Gifts and hospitality**: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- **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<br><br>Self-review<br><br>Management | 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.<br><br>Self-review: Whilst housing benefit revenue and expenditure streams and capital receipts are within the financial statements, we do not complete the claim forms. The focus of our work is solely testing the data in the claim forms prepared by the management.<br><br>Management: As above, the claim forms are 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.<br><br>We therefore consider these risks sufficiently mitigated. |

# Appendices

# 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 |
|---|---|---|---|
| Red | **Capital accrual omission**<br>As reported on Appendix I, we identified an accrual which was omitted from the financial statements. This related to a capital accrual where the invoice was received after the year-end, but management were not aware that work had been carried out to be able to identify it as needing to be accrued for in the 2023/24 financial statements.<br><br>We were able to isolate this error to capital accruals and performed work to ensure that this was the only error. We have however raised a control recommendation to reduce the risk of future accruals being omitted which could give rise to a future material error. | We recommend that management ensure their processes for identifying year-end accruals is robust to ensure that the risk of material understatement of accruals is reduced to a sufficiently low level. | Management have reviewed the current processes and confirmed that these are robust with this finding relating to a single missed accrual, albeit of a material value, thus requiring amendment of the accounts. |
| Amber | **Incorrect historic capitalisation leading to prior period adjustment (PPA)**<br>As part of our work, we identified that the Council had assets on their balance sheet which were not owned by the Council and therefore were determined to not exist. Whilst this is as a result of a historic transaction, and we are satisfied that following the PPA, the accounts are fairly stated. | We recommend that the Council ensure that their capitalisation policy aligns to accounting standards. | Management have reviewed this finding and can confirm that the assets concerned were identified by the Council and appropriately written out of the accounts during 2023/24, however a prior year adjustment was not made at that time, but the post audit accounts have now been adjusted for that. All of the identified assets were historic (dating from before 2010) and the Council already has effective processes in place to ensure that any new capitalisation aligns to accounting standards. |

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

# Appendix I: Internal control recommendations

| Assessment | Issue | Recommendation | Management response |
|---|---|---|---|
| **Amber** | **Related party transactions – omission**<br>A total of 36 members disclosed their interests, but only 23 were initially included in the working paper provided to audit in support of the disclosure within the financial statements.<br><br>We identified 13 additional members from the Council's website which were omitted from this working paper. Of these, 11 had declared interests (two had no interests).<br><br>We confirmed with management that this was an oversight on their behalf and that this was an accidental omission of these members. The transactions between the Council and related parties had therefore not been considered in the related party transactions disclosure.<br><br>During the audit, management updated the working paper to include these members and all relevant transactions. We completed our work and confirmed that no material transactions were found with the 13 additional members interests and the Council. No change was required to the Related Party note in the financial statements.<br><br>Although there are no material findings from our work, we consider it appropriate to raise a control recommendation for management to ensure all members' interests are considered at the point the financial statements are drafted to minimise the risk of material omissions to the financial statements. | Management should implement a clear process and relevant controls to ensure all members' interests are considered at the point the financial statements are drafted to reduce the risk of material omissions. | Management have reviewed this and confirmed this was due to the local election that took place during 2023/24 and the change in members during the year that this led to. As such the process used to inform this note will be updated to ensure it includes a check with Democratic Services to ensure it also considers changes in members during the year. |

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

# Appendix I: Internal control recommendations

| Assessment | Issue | Recommendation | Management response |
|---|---|---|---|
| **Amber** | **Underlying measurements of buildings**<br>Our work identified that the Estates Department does not hold up to date measurements for buildings owned by the Council. The current valuers are relying on the previous valuer's measurements of the buildings; however, the Council does not keep record of these measurements.<br><br>Whilst we are satisfied that we have sufficient information to assess the completeness and accuracy of inputs used in the valuation of other land and buildings / investment property. There is a risk of not having a clear audit trail for any changes to building measurements to allow this to be kept up to date. | Management should consider updating the measurements of buildings and keeping up to date measurements in their own records. | Management will ensure that valuations for the 2024/25 year contain a requirement for the valuer to provide an up to date measurement of each building, and that Estates team then utilise this as a reconciled starting point for their records and ensure that these are then updated for any future amendments to buildings. |
| **Green** | **Nil net book value assets**<br>There is a material gross asset value for assets with a nil net book value (£4.48m). Some of the assets have been fully depreciated. Whilst our testing did not identify any issues with the existence of a sample of nil net book value assets. There is a risk that the Council may be overcharging depreciation annually if the asset lives are not sufficient. We are satisfied there is no material risk of misstatement to the financial statements for this finding. | Management should consider reviewing their depreciation policy to ensure premature depreciation is not being incurred. | Management will review the depreciation policy and update this if required. |

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

# Appendix I: Internal control recommendations

| Assessment | Issue | Recommendation | Management response |
|---|---|---|---|
| Green | **Assets held for sale valuation**<br>Per statutory requirements, Assets Held for Sale (AHFS) must be measured at the lower of their carrying amount and fair value less costs to sell. Management did not account for the selling costs when determining the value at which this is recorded as in the accounts. The value of this was £20k and has not been adjusted for as this is trivial.<br><br>We have made a recommendation for management to consider for future years to minimise the risk of this becoming a non-trivial error. | Management should consider the costs to sell when accounting for AHFS to ensure compliance with statutory obligations. | Management have reviewed the process for identifying Assets Held for Sale and will incorporate a check to ensure any sale costs are captured going forward. |
| Green | **Manual fixed asset register**<br>The Fixed Asset Register (FAR) is currently managed manually, which introduces several potential challenges. These include; a higher risk of errors, difficulty in tracking updates, and inefficiencies in asset management.<br><br>Manual processes are vulnerable to data entry mistakes and miscalculations, making it harder to maintain an accurate and up-to-date record of assets, particularly for an organisation like a council. | We recommend transitioning to a system-based fixed asset register.<br><br>Integrating the FAR into a system would improve accuracy, enhance efficiency, and reduce the risk of manual errors. | At present Management have reviewed this recommendation, however, given the small number of assets, continue to be of the position that this represents a low risk which would not warrant the costs required for developing and maintaining a system based fixed asset register. However, this will continue to be reviewed on an annual basis to identify if / when there is a need to make such a transition. |

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

# Appendix I: Internal control recommendations

## Follow up of prior year recommendations

As part of work, we have followed up on control weaknesses and recommendations either raised in last year's report or carried forward from prior reports.

| Assessment | Issue and risk as reported in 2022/23 audit findings report | Recommendation | Management response | Azets comments |
|---|---|---|---|---|
| **Medium – limited effect on financial statements** | It was identified that a grouped IT asset had been partially disposed in 21/22 but this had not been recorded on the FAR or in the financial statements.<br><br>Whilst this was not material, it did result in the overstatement of the cost and accumulated depreciation of plant, property and equipment (but no impact on the balance sheet since that assets were fully depreciated). | Management should maintain records of individual components of grouped assets so that changes such as disposals or impairments are reflected in the fixed asset register and in the financial statements. | We have considered this further and updated our capital policies to provide clarity on where componentisation is required, which, in line with our initial response to the finding, provides a balance between materiality and administration. | We have identified a control recommendation for management to consider in relation to nil net book value assets as part of our 2023/24 work.<br><br>Refer to page 35 for this recommendation. |
| **Medium – limited effect on financial statements** | A member of the finance team is also the system administrator for the financial reporting system and has super-user access to the system.<br><br>This increases the risk of management override of controls. | Management should consider how segregation of roles within the financial reporting system could be improved to reduce the risk of management override of controls. For example, the role of system administrator could be transferred to a member of the IT team. | We did start those discussions but as a decision has been made to move to the cloud version of the Council's finance system, implementation of any additional reports on super user activity and checks on those will now be progressed as part of that migration. | We have not noted any issues relating to this control as part of our IT general controls work.<br><br>Recommendations in relation to this work are included in Appendix II. |

# Appendix I: Internal control recommendations

## Follow up of prior year recommendations (continued)

| Assessment | Issue and risk as reported in 2022/23 audit findings report | Recommendation | Management response | Azets comments |
|---|---|---|---|---|
| **Low – best practice** | Management were unable to provide a completed declaration of interests form for one of the members of the Council during 2022/23.<br><br>This was because the member has not submitted a form to management. Absence of declarations of interest increases the risk of errors in disclosure of related party transactions. We did not identify any errors in the related party transactions disclosures in this case. | Management should take steps to ensure that members are aware of the need to declare any interests they may have which could have an actual or perceived impact on their actions on behalf of the Council and on reporting of related party transactions. | As set out, the missing declaration was provided at the time. A process to review those returns has continued. | We have noted a control recommendation in relation to related parties as part of our 2023/24 audit.<br><br>Refer to page 34 for this recommendation. |

# Appendix II: IT general control recommendations

| Assessment | Issue | Recommendation | Management response |
|---|---|---|---|
| **Amber** | The Council set out a Cyber Security Strategy from 2023-2026 that consider cyber risks and actions to mitigate. There is a Risk Management Strategy in place that details the risk management process. However, this is outdated and therefore, may not reflect current process. | The council should revise and update the Risk Management Strategy. This will ensure it aligns with current practice. | The findings are accepted, and action is being taken as a result. |
| **Amber** | The Council do not have a process in place to undertake due diligence activities such as security and risk assessments relating to outsourcing and third-party service provisions. | The Council should create an assessment to be used when outsourcing or using third- party service provisions.<br>This should consider security requirements. For example, Cyber Essentials Certification. Regular reviews of supplies should take place to confirm these requirements are still in place. | Currently no outsourced provisions, any vendor support activities requiring access are managed by the service desk on an on demand basis only i.e. access is not open by default, we will investigate the creation of assessments of vendors but options may be limited for existing products in use. |
| **Amber** | The Council do not formally document roles and responsibilities for cyber security. | Roles and responsibilities should be documented for all roles relating to Cyber Security such as; day to day, operational management of the area, senior management, and Board/Executive oversight.<br>Management should consider documenting this within a Terms of Reference document. | The findings are accepted, and action is being taken as a result. |

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

# Appendix II: IT general control recommendations

| Assessment | Issue | Recommendation | Management response |
|---|---|---|---|
| **Amber** | The Council's policies are outdated and under revision.<br><br>Security Awareness training was provided in 2023 with completion rates of 86%. We were informed that training occurs annually and refresher training is provided to those who click a link in a phishing test email.<br><br>Whilst, there are updates provided to the Line Managers of individuals with outstanding training, including those flagged in the previous months, the refresher training completion rate is at 73% with users outstanding since January 2024. | Policies should be updated and finalised.<br><br>These should be regularly reviewed to ensure accuracy, with appropriate sign-offs upon review.<br><br>In addition to the extra refresher training provided to those who fail phishing tests, we recommend that all users receive mandatory annual refresher training in this area. In addition to informing line managers, we recommend that a more thorough escalation route is introduced. This could involve linking training completion to objectives and end of year reviews, and disabling access if users fail tests or do not complete the training within a certain window. | CMT is in discussion with HR and unions on consequences for repeat offenders, currently any outstanding training is generally completed within 2 months following management intervention. |

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

# Appendix II: IT general control recommendations

| Assessment | Issue | Recommendation | Management response |
| --- | --- | --- | --- |
| **Amber** | The Council have guidance that set out Document Retention and Disposal Guidelines, and there is a Data Protection Policy in place.<br>However, the Data Protection Policy is outdated and may not reflect current process.<br>Additionally, there is no Information Asset Register and therefore, there is no evidence that the Council is aware of what critical information assets it holds and how these are protected. | An asset register should be created for all information assets by identifying information assets and their criticality depending on sensitivity of information. This information should be used to ensure that appropriate security controls, such as access controls etc, are utilised for critical or sensitive information held by the Council. An Information Asset Owner should also be assigned to each asset and have overarching accountability for assessing the risk to the information, and making decisions on aspects such as who should have access to the data. The Information Asset Register should be regularly reviewed and updated. | The findings are accepted, and action is being taken as a result. |
| **Amber** | There is no Cyber Incident Response Plan in place.<br><br>It was highlighted during discussions that this is planned to be implemented, however, there is no documentation to evidence this being in progress.<br><br>The Incident Management Policy is also outdated and under revision. | Develop and finalise a Cyber Incident Response Plan that considers response to a cyber incident. This could include: asset mapping, roles and responsibilities, escalation criteria, response steps, post incident activity.<br><br>The response plan should be regularly tested with multiple testing types to identify strengths and gaps. Lessons learned should be documented post incident and after tests. The Incident Management Policy should be updated and ICT playbooks should be finalised. | The option to produce a combined cyber incident response plan integrated within the existing business continuity plans is currently being investigated. |

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

# Appendix III: 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's financial statements (as set out in the fee scales issued by PSAA) | 144,616 | 144,616 |
| ISA 315 | 21,693 | 21,693 |
| Prior period adjustment - disposals | - | 6,156 |
| Prior period adjustment - pensions | - | 12,425 |
| **Total fees charged** | **166,309** | **184,890** |

The audit fees as reported within our Audit Plan reconcile to the fees disclosed in the financial statements at note 34. No disclosure has been made for additional fees relating to the prior period adjustments or additional HBAP workbooks.

## Assurance service fees

| Service | Fee £ |
|---|---|
| Housing Benefit | 32,000 |

### Explanation for change in fee

Additional fees were incurred as a result of issues contained in this report requiring additional work in the following areas:

- Disposals – prior period error
- Pensions – prior period error

In both instances, additional work was carried out to determine the error, audit the error and perform audit work to ensure the correct disclosures were included in the financial statements.

# Appendix IV: Detailed adjustments

**Pensions - 2022/23 adjustments**

| Area of financial statements | Draft | Final | Difference | Comment |
|---|---|---|---|---|
| **CIES** | | | | |
| Asset Ceiling Adjustment | - | 16,734 | 16,734 | Increase in asset ceiling |
| | | | | |
| **MIRS** | | | | |
| Other Comprehensive Income and Expenditure | 47,696 | 30,962 | 16,734 | Increase in asset ceiling |
| **Balance Sheet** | | | | |
| Pension liability | - 5,775 | - 22,509 | - 16,734 | Increase in pension liability |
| **Note 28 - Unusable reserves** | | | | |
| Pensions Reserve | - 5,775 | - 22,509 | - 16,734 | To account for asset ceiling |
| **d) Pensions Reserve** | | | | |
| Asset Ceiling adjustment | - | - 16,734 | - 16,734 | To account for asset ceiling |
| **Note 44 - Pensions** | | | | |
| Asset Ceiling Adjustment | - | 16,734 | 16,734 | To account for asset ceiling |
| Effect of the Asset Ceiling | - | 16,734 | 16,734 | To account for asset ceiling |

# Appendix IV: Detailed adjustments

**Pensions - 2023/24 adjustments**

| Area of financial statements | Draft | Final | Difference | Comment |
|---|---|---|---|---|
| **CIES** | | | | |
| Financing and investment income and expenditure | 6,248 | 7,043 | 795 | Increase in pension interest charged |
| Asset Ceiling Adjustment | 28,494 | 10,965 | - 17,529 | Reduction in asset ceiling |
| **MIRS** | | | | |
| Other Comprehensive Income and Expenditure | - 16,467 | 1,062 | 17,529 | Reduction in asset ceiling |
| **Note 4a - Expenditure and Funding Analysis** | | | | |
| Other income and expenditure from the Expenditure and Funding Analysis | 167 | 962 | 795 | Increase in pension interest charged |
| **Note 5 - Expenditure and Income Analysed by Nature** | | | | |
| Interest payments including pensions | 5,441 | 6,236 | 795 | Increase in pension interest charged |
| **Note 8 - Adjustments between accounting basis and funding basis under regulations** | | | | |
| Reversal of items relating to retirement benefits | 1,816 | 2,611 | 795 | Increase in pension interest charged |
| **Note 11 - Financing and Investment income and expenditure** | | | | |
| Net pension interest expense | 167 | 962 | 795 | Increase in pension interest charged |
| **Note 28 - Unusable reserves** | | | | |
| **d) Pensions Reserve** | | | | |
| Asset Ceiling adjustment | - 28,494 | - 10,965 | 17,529 | Correction to take account of a portion of the asset ceiling being accounted for in 2022/23 |
| **Note 29 - Cashflow Statement operating activities** | | | | |
| Pension liability | 4,400 | 3,605 | - 795 | Interest adjustment |
| **Note 44 - Pensions** | | | | |
| Net interest expense | 167 | 962 | 795 | Interest adjustment |
| Asset Ceiling Adjustment | 28,494 | 10,965 | - 17,529 | Correction to take account of a portion of the asset ceiling being accounted for in 2022/23 |
| Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code | - 1,816 | - 2,611 | - 795 | Interest adjustment |

# Appendix IV: Detailed adjustments

**Infrastructure assets - 2021/22 adjustments**

| Area of financial statements | Draft | Final | Differen | Comment |
|---|---|---|---|---|
| **Balance Sheet** | | | | |
| PPE | 52,135 | 51,287 | - 848 | Reduces assets recognised |
| Unusuable reserves | 3,600 | 2,752 | - 848 | Reduces assets recognised |

**Infrastructure assets - 2022/23 adjustments**

| Area of financial statements | Draft | Final | Difference | Comment |
|---|---|---|---|---|
| **MIRS** | | | | |
| Opening balance at 31 March 2022 | 3,600 | 2,752 | - 848 | Reduces assets recognised |
| **Balance Sheet** | | | | |
| PPE | 63,687 | 62,839 | - 848 | Reduces assets recognised |
| **Note 13 - Property Plant and Equipment** | | | | |
| Infrastructure cost at 1 April 2022 | 4,055 | 2,189 | - 1,866 | Reduces assets recognised |
| Infrastructure depreciation at 1 April 2022 | - 2,551 | - 1,533 | 1,018 | Reduces assets recognised |
| Infrastructure net book value | 1,443 | 595 | - 848 | Reduces assets recognised |
| **Note 28 - Unusable reserves** | | | | |
| Capital Adjustment Account | 30,687 | 29,839 | - 848 | Reduces assets recognised |
| Balance brought forward | 22,545 | 21,697 | - 848 | Reduces assets recognised |

# Appendix IV: Detailed adjustments

**Infrastructure assets - 2023/24 adjustments**

| Area of financial statements | Draft | Final | Difference | Comment |
|---|---|---|---|---|
| **CIES** | | | | |
| Environment and Climate Change | 10,678 | 10,632 | - 46 | Current year correction to remove depreciation as a result of PPA. |
| Other operating expenditure | 2,233 | 1,431 | - 802 | Current year correction to remove gain/loss on disposal as a result of PPA. |
| **Note 4a - Expenditure and Funding Analysis** | | | | |
| Environment and Climate Change | 255 | 209 | - 46 | Current year correction to remove depreciation as a result of PPA. |
| **Adjustments between funding and Accounting Basis - 2023/24** | | | | |
| Environment and Climate Change | 876 | 830 | - 46 | Current year correction to remove depreciation as a result of PPA. |
| **Note 5 - Expenditure and Income Analysed by Nature** | | | | |
| Depreciation, amortisation, impairment and revalua | 2,411 | 2,365 | - 46 | Current year correction to remove depreciation as a result of PPA. |
| Book value on disposals of assets | 810 | 8 | - 802 | Current year correction to remove gain/loss on disposal as a result of PPA. |
| **Note 8 - Adjustments between accounting basis and funding basis under regulations** | | | | |
| Depreciation and impairment of fixed assets | 1,976 | 1,930 | - 46 | Current year correction to remove depreciation as a result of PPA. |
| Gain or loss on disposal of non current assets | 740 | - 62 | - 802 | Current year correction to remove gain/loss on disposal as a result of PPA. |
| **Note 10 - other operating expenditure** | | | | |
| Gain or loss on disposal of non current assets | 740 | - 62 | - 802 | Current year correction to remove gain/loss on disposal as a result of PPA. |
| **Note 13 - Property Plant and Equipment - 2023/24** | | | | |
| Infrastructure cost at 1 April 2023 | 3,889 | 2,023 | - 1,866 | Removal of assets as a result of PPA. |
| Infrastructure disposal to I&E | - 1,866 | - | 1,866 | Removal of assets as a result of PPA. |
| Infrastructure depreciation at 1 April 2023 | - 2,446 | - 1,428 | 1,018 | Removal of assets as a result of PPA. |
| Infrastructure depreciation charge in year | - 112 | - 66 | 46 | Reversal of depreciation charged in year. |
| Infrastructure disposal to I&E | - 1,065 | - | - 1,065 | Removal of disposal. |
| **Note 28 - Unusable reserves** | | | | |
| Balance brought forward | 30,687 | 29,839 | - 848 | Total of correction for depreciation and disposal |
| Depreciation and impairment | - 1,976 | - 1,930 | 46 | Current year correction to remove depreciation as a result of PPA. |
| Gain or loss on disposal | - 810 | - 8 | 802 | Current year correction to remove gain/loss on disposal as a result of PPA. |
| **Note 29 - Cashflow Statement operating activities** | | | | |
| Depreciation | - 1,976 | - 1,930 | 46 | Current year correction to remove depreciation as a result of PPA. |
| Carrying amount non current assets sold | - 810 | - 8 | 802 | Current year correction to remove gain/loss on disposal as a result of PPA. |

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