

AGENDA MANAGEMENT SHEET

Report Title:	Approval for the Financial Statements for 2023/2024
Name of Committee:	Audit & Ethics Committee
Date of Meeting:	12 December 2024
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	N/A
Prior Consultation:	Chief Financial Officer and Portfolio holder
Contact Officer:	Paul Conway, Finance Manager and Deputy S151 Officer, paul.conway@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(i.e.): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
(C) Climate (E) Economy (HC) Health and Communities (O) Organisation	
Summary:	This report provides an update on the external audit of the 2023/24 financial statements.
Financial Implications:	None as a direct result of this report.

Risk Management Implications:	None as a direct result of this report.
Environmental Implications:	There are no direct environmental implications arising from this report and so no Climate Change and Environmental Impact Assessment is required.
Legal Implications:	There are no legal implications arising from this report.
Equality and Diversity:	There are no direct equality and diversity implications arising from this report and so no Equality Impact Assessment is required.
Options:	None as direct result of this report.
Recommendation:	The draft audit findings report of the 2023/24 external audit be noted.
Reasons for Recommendation:	The Council is statutorily required to produce and publish its Financial Statements for the 2023/24 financial year, although the audit is incomplete this report provides a summary of the current progress.

Audit & Ethics Committee - 12 December 2024

Approval for the Financial Statements for 2023/2024

Public Report of the Chief Officer – Finance and Performance

Recommendation

The draft audit findings report of the 2023/24 external audit be noted.

1. BACKGROUND

- 1.1 The Pre-Audited Statement of Accounts 2023/24 were made available for public inspection from 3 June. The inspection period concluded on 12 July, during this period there were no questions or objections made.
- 1.2 The external audit by Azets will began during July, some work is still in progress, and it is now expected that final approval will be requested at the Audit and Ethics Committee on 6 February. A copy of the adjusted financial statements and the management responses will be included as part of the agenda for this meeting.
- 1.3 As a way of an update on the process, attached is a copy of a draft audit findings report.
- 1.4 A representative from Azets will attend the meeting and present the report to the committee.

Name of Meeting: Audit & Ethics Committee
Date of Meeting: 12 December 2024
Subject Matter: Approval for the financial statements 2023/24
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
	Draft accounts as published 31 May

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



Rugby Borough Council

Draft Audit Findings Report

Year ended 31 March 2024

December 2024



Town Hall
Evreux Way
Rugby
CV21 2RR

Appendix 1

Private & confidential

12 December 2024

Dear Audit & Ethics Committee Members

Rugby 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



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 Rugby 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 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 identified 3 adjustments, and are discussing 4 adjustments with management, to the financial statements. We have also identified several disclosure amendments. We have raised recommendations for management as a result of our work. The following areas require completion and are subject to senior manager and key audit partner review:

- Receipt and review of evidence relating the income and expenditure cut off sample items;
- Reviewing responses received from management in relation to queries raised on the consistency of the movements in reserves statement, cash flow statement and the pension notes;
- Completion of journals testing, where we are processing evidence received from management;
- Completion of debtors testing, where the work is still in progress;
- Completion of creditors testing, where we are processing evidence received from management;
- Completion of some disclosure notes throughout the financial statements; and
- Completion of our VFM procedures.

Closing procedures:

- Conclusion of our procedures on the annual governance statement and a review of the other information to be published with the financial statements such as the narrative report;
- 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 amended Statement of Accounts; and
- Response from management regarding subsequent events up to the date of the audit opinion.

The Audit & Ethics 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.

We hoped to conclude the audit in November, however, due to the delays faced with audit requests, and particularly the valuation report, we experienced challenges in progressing the audit as initially expected. Due to the delayed timetable, we have then had to make internal resourcing changes which have enhanced the delays. The finance team have been accommodating over the delayed timetable; however, we would like to work with management in the following financial period to ensure a timelier audit with a reduced level of audit findings.

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 not yet completed our value for money work and our detailed findings will be reported at the next Audit & Ethics Committee in our Auditor's Annual Report.

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

At the time of writing this report, 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 amended our audit plan as formally presented to you on 1 February 2024 only for materiality. See details on page 7.

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	RED	The draft financial statements were received from management in a timely manner. However, following the receipt of the draft version, we were informed that a significant number of changes that were still yet to be processed, including the adjustments from the significant delayed property and council dwelling valuer's reports.
Quality of working papers provided and adherence to timetable		The quality of responses to queries required improvement, leading to several exchanges before resolution. We will work with management to ensure to set better expectations ahead of the audit fieldwork so that we find the best solution for the finance and audit team.
Timing and quality of key accounting judgements	RED	Valuation of property valuations – we only received the final valuation report and the updated note four months after the draft accounts were prepared. This delayed the audit progress significantly and we have raised a control recommendation on the timeliness of this. Valuation of net pension liability – management had not considered the impact of IFRIC 14 in their calculation of the pension liability initially, this has led to a material adjustment to the Balance Sheet in the current year and in the prior year, which has been posted as a prior period adjustment. See page 21 for further details.
Volume and magnitude of identified errors	RED	From the work performed, we have identified two material adjustments and corresponding prior period adjustments in relation to the pension liability and the collection fund debtors and creditors. Whilst these had been previously signed off by outgoing auditors, the financial statement require adjusting for these errors.
Access to finance team and other key personnel	AMBER	We have had appropriate engagement from the finance team and management. However, there have been some turnover in the finance team following the preparation of the accounts, which has been challenging to manage on both sides. While there were delays with the finalisation of the valuation report, we have had appropriate and prompt engagement from the property valuer, Bruton Knowles.
Quality and timeliness of Narrative Report and Annual Governance Statement	TBC	The draft Annual Governance Statement and the Narrative Report were received on time, however, the work in this area is in progress. At the time of writing this report, we have not identified any issues that need to be communicated to the Audit and Ethics Committee.

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 £1,381k for the Council based on 2% 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 decrease in gross expenditure for 2023/24.

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

Materiality area	Materiality as reported in the Audit plan £000	Draft Accounts (final) £000's	Explanation
Overall materiality for the financial statements	1,381	1,374	2% of gross revenue expenditure based on the Council's draft 2023/24 gross expenditure amount. We use the lowest materiality figure for all entities in the group The financial statements are considered to be materially misstated where total errors exceed this value.
Performance materiality	967	962	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	69	68.7	5% of overall materiality. 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 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>We have performed the following procedures to mitigate the risk identified in this area:</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 unusual journals; • Testing high risk and any 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 any 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>Our work in this area is in progress, however, based on the work completed so far, we have nothing to bring to your attention.</p> <p>We have however raised a control recommendation in relation to blank journal descriptions in Appendix I.</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) 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 on all income streams because:</p> <ul style="list-style-type: none"> • there is little opportunity available to manipulate; • there is limited incentives to manipulate; • the Council's existing transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies. <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 above.</p> <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 have 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>Our work in this area is complete and subject to senior manager and partner review.</p> <p>We have identified a reclassification error between income from collection fund and government and other grants income (within the Income and Expenditure Analysed by Nature note). Management have agreed to amend for this error, see page 23 for further details.</p> <p>There have also been other changes made to the accounts by management, that we are discussing to understand the rationale.</p>

Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of council dwellings and other land and buildings (key accounting estimate) Revaluation of council dwellings, 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 rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at least every five years and council dwellings are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates. The last full revaluation was in 2022/23 financial year.</p> <p>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. 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>We have performed the following procedures to mitigate the risk identified in this area:</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; • 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 • 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. 	<p>Our work in this area is ongoing and subject to senior management review. To date, our audit work has not identified any significant issues in respect of this risk.</p> <p>Due to the delays in the valuation report previously mentioned page 6, the values have been adjusted post issue of the draft accounts, we are currently discussing the adjustments processed for the 2023/24 financial year to ensure it is appropriate.</p> <p>We have however raised a control recommendation in relation to the timeliness of valuation reports in Appendix I.</p>

Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of council dwellings and other land and buildings (key accounting estimate)</p> <p>These valuations represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings and other land and buildings as a significant risk.</p> <p>We will 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.</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"> • Council dwellings and other land and buildings (valuation): High 	<p><i>See previous page</i></p>	<p><i>See previous page</i></p>

Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of the defined pension fund net liability (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 (valuation): High 	<p>We have performed the following procedures to mitigate the risk identified in this area:</p> <ul style="list-style-type: none"> • Evaluating management's 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 auditor's 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 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>Our work in this area is ongoing.</p> <p>Based on the work performed to date, we have identified an adjustment required to the current pension asset in the draft accounts. According to IFRIC 14, the Authority must adjust the pension asset for the liability from future contributions to past service contributions. This adjustment was not performed in 2023/24 and, upon reviewing the prior year's calculations, it was also omitted from those accounts. Therefore, Management have updated the accounts for both financial years, with the 2022/23 adjustment being processed as a prior period adjustment. Following the adjustment, we have no issues to report in relation to the prior period adjustment.</p> <p>We are currently discussing the adjustments processed with management for the 2023/24 financial year to ensure it is appropriate.</p> <p>See page 21 for further details.</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 significant management judgements which required additional audit work or where there was a disagreements over the judgement used by management.	We identified a prior year adjustment relating to pensions and debtors as reported below. Our audit adjustments agreed with management can be found in on page 22.
Prior year adjustments identified	We have identified two prior period adjustments. The first pertains to a change in the IFRIC 14 adjustment made to the prior year's Net Pension Liability. The second concerns to an error identified in the treatment of central government debtors in the prior year.	No issues identified following restatement of notes.
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 	No such concerns identified.	No issues to report.

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. Subject to senior management review, 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 – council dwellings (key accounting estimate)	206,663	<p>The Council owns 3,464 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its valuer, Bruton Knowles, to complete the valuation of these properties.</p> <p>The year end valuation of Council Housing was £206,663k, a net increase of £9,466k from 2022/23 (£197,197k).</p>	<p>At the time of writing this report, our audit procedures remain under final manager and partner review.</p> <p>To date, our audit work has not identified any significant issues in respect of this risk.</p> <p>Due to the delays in the valuation report previously mentioned page 6, the values have been adjusted post issue of the draft accounts, we are currently discussing with management to ensure these are appropriate.</p> <p>We have however raised a control recommendation in relation to the timeliness of valuation reports in Appendix I.</p>

Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Valuation of land and buildings - other (key accounting estimate)	42,446 (Other land and buildings)	<p>The land and buildings revalued include specialised buildings and land valued on a Depreciated Replacement Cost (DRC) basis. Assets valued under the DRC method make up 87% of the operational land and buildings balance as of 31 March 2024. Meanwhile, 13% are valued on an Existing Value in Use (EUV) basis.</p> <p>The Council has engaged an external valuer, Bruton Knowles, to value the asset portfolio on a cyclical basis. This is the first year of the engagement.</p> <p>This has led to an overall net increase of £14,369k from the 31 March 2023 asset value (£28,077k). This increase includes movements other than revaluations, such as additions, derecognition of asset components, and depreciation.</p>	<p>At the time of writing this report, our audit procedures remain under final manager and partner review.</p> <p>To date, our audit work has not identified any significant issues in respect of this risk.</p> <p>Due to the delays in the valuation report previously mentioned page 6, the values have been adjusted post issue of the draft accounts, we are currently discussing with management to ensure these are appropriate.</p> <p>We have however raised a control recommendation in relation to the timeliness of valuation reports in Appendix I.</p>

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 (key accounting estimate)	(5,502)	<p>The Council's total net pension liability is held with the Warwickshire Pension Fund. The Pension Fund use Hymans Robertson, an external actuary, to provide the valuation of the Council's share of the Pension Fund's assets and liabilities. A full valuation is required every three years.</p> <p>In 2023/24, the Council's share initially appeared as a net asset. However, after adjustments in accordance with IFRIC 14 requirements, it has been reclassified as a net liability in the latest financial statements.</p>	<ul style="list-style-type: none"> We have assessed the actuary used by the Council and the Pension Fund to be competent, capable and objective. We have obtained assurance from the auditor of Warwickshire Pension Fund in relation to the accuracy of the benefits paid and investment returns to gain assurance over the 2023/24 roll forward calculation carried out by the actuary and have no issues to date. We have used PwC as our audit expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: <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 range</td> </tr> <tr> <td>Pension increase rate (%)</td> <td>2.75</td> <td>2.75 – 2.80</td> <td>Within range</td> </tr> <tr> <td>Salary growth (%)</td> <td>3.75</td> <td>Salaries expected to be 0.5% to 2.5% p.a. above CPI inflation. CPI rate 2.75% to 2.80% p.a.</td> <td>Within range</td> </tr> <tr> <td>Life expectancy – males currently aged 45-65</td> <td>Pensioners – 21.2 years Future pensioners – 21.6 years</td> <td rowspan="2">Hymans have adjusted mortality tables to show individual employer level life expectancies.</td> <td rowspan="2">Within expectations</td> </tr> <tr> <td>Life expectancy – females currently aged 45-65</td> <td>Pensioners – 23.9 years Future pensioners – 25.7 years</td> </tr> </tbody> </table>	Assumption	Actuary value	PWC range	Assessment	Discount rate (%)	4.85	4.80 – 4.85	Within range	Pension increase rate (%)	2.75	2.75 – 2.80	Within range	Salary growth (%)	3.75	Salaries expected to be 0.5% to 2.5% p.a. above CPI inflation. CPI rate 2.75% to 2.80% p.a.	Within range	Life expectancy – males currently aged 45-65	Pensioners – 21.2 years Future pensioners – 21.6 years	Hymans have adjusted mortality tables to show individual employer level life expectancies.	Within expectations	Life expectancy – females currently aged 45-65	Pensioners – 23.9 years Future pensioners – 25.7 years
Assumption	Actuary value	PWC range	Assessment																						
Discount rate (%)	4.85	4.80 – 4.85	Within range																						
Pension increase rate (%)	2.75	2.75 – 2.80	Within range																						
Salary growth (%)	3.75	Salaries expected to be 0.5% to 2.5% p.a. above CPI inflation. CPI rate 2.75% to 2.80% p.a.	Within range																						
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Life expectancy – females currently aged 45-65	Pensioners – 23.9 years Future pensioners – 25.7 years																								
			<p>At the time of writing this report, our audit procedures remain under final manager and partner review.</p> <p>We have identified a £4.25m prior period adjustment, relating to an error in 2022/23 in the Council's application of IFRIC 14 for the pension asset. Details of this are set out on page 21. 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.</p>																						

Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Minimum revenue provision (MRP)	1,297	<p>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.</p> <p>The year end MRP charge was £1,297k, a net decrease of £1,412k from 2022/23.</p>	<p>We have considered whether the MRP has been calculated in line with the statutory guidance, and whether the Council's policy on MRP complies with statutory guidance.</p> <p>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.</p> <p>Whilst our work is still ongoing, we do note that the Council will need to ensure that the MRP continues to be adequate in the context of increased borrowing. The Council's MRP percentage against total external debt is 1.43% (1.68% in 2022/23). This is a downward trajectory and below the standard rate of 2%.</p>
Non domestic rate provisions	6,579	<p>Non-domestic rate provisions are made for possible refunds from a business rate appeals and can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.</p> <p>Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.</p>	<p>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.</p> <p>Subject to senior management review and finalisation of work performed, we have no issues to report in relation to this.</p>

Financial statements: other responsibilities

Matter	Commentary	Findings
Matters in relation to fraud	We have previously discussed the risk of fraud the Audit and Ethics Committee and we have not been made aware of any incidents in the period.	Our VFM work is still ongoing at this stage and we will conclude in our final audit findings report presented in February 2025.
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.	This will be included alongside our final Audit Findings Report in February 2025.
Confirmation requests from third parties	We requested permission from the Council to send confirmation requests to banks, other Councils or entities where investments are held. 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, however a prior period adjustment note is required within the financial statements to present a true and fair view.	Aside from the prior period adjustment note required 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).</p> <p>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 have completed our review of the Narrative Report and Annual Governance Statement, and queries are currently with management, so we will conclude on this within our final Audit Findings Report in February.</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 any significant weaknesses. 	<p>We have nothing to report on these matters at this point, however, we are yet to finalise our work relating to value for money.</p>

Financial statements: other responsibilities

Matter	Commentary	Findings
<p>Specified procedures for the Whole of Government Accounts (WGA)</p>	<p>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.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions. A 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</p>	<p>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.</p>
<p>Certification of closure of the audit</p>	<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 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 likely include a delayed certificate.</p>

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
LGPS Net Pension Liability – 2023/24			
Our work identified that the asset ceiling calculation in the prior year had excluded the consideration for future contributions to past service contributions, which is a requirement per IFRIC 14. The impact of re-stating the prior year has led to a material change in re-measurement of the net defined liability in 2023/24.			
Dr Unusable reserves - Pension Reserve			
Cr Re-measurement of the net defined pension liability	TBC	TBC	
LGPS Net Pension Asset – 2022/23			
In the prior year, a full IFRIC 14 adjustment was not completed and therefore, management have obtained an updated report from the actuary that has led to a material change in the prior period balance.			
Cr Re-measurement of the net defined pension liability	4,252		
Dr Asset Relating to Defined Benefit Pension Schemes – LGPS		4,252	
Overall impact (sub-total)			

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
Collection Fund Debtors and Creditors			
The balance for Central Government for 2021/22 was originally raised as a debtor but was subsequently amended to a creditor as it was identified that the position had changed from a debit balance to a credit balance. The 2021/22 figures are correctly stated. However, when the balances were reversed in 2022/23, they were reversed from the debtor code, not the creditor code. This resulted in an overstatement of both creditors and debtors of £6,305,432.23 at the end of 2022/23, this was not identified during the prior year audit.			
This error was then doubled in the 2023/24 financial year and therefore, required updating.			
2023/24			
Dr Central Government Creditors		12,584	
Cr Central Government Debtors		(12,584)	
2022/23			
Dr Central Government Creditors		6,306	
Cr Central Government Debtors		(6,306)	
Overall impact (sub-total)	Nil	Nil	Nil

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
Reclassification between Government grant income and Income from Collection Fund			
Dr Income from council tax, non-domestic rates	(16,640)		
Cr Government grants and contributions	16,640		
Provisions			
Dr Income from non-domestic rates	1,286	(1,286)	1,286
Cr Long term and short term provisions			
Property, plant and equipment			
The valuation of council dwellings and other land and buildings was not finalised at the time of publication of the draft accounts. Therefore, the balances have changed as follows:			
Dr Property, plant and equipment			
Dr (Surplus)/Deficit on revaluation of non-current assets			
Cr Revaluation reserve			
Cr Capital Adjustment Account	TBC	TBC	TBC
Overall impact (sub-total)			

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
Fees and charges income Management have amended the income from fees and charges following the publishing of the draft accounts. We are currently discussing the changes with management to understand the rationale.	TBC	TBC	
Expenditure - Other services expenditure - Depreciation, impairment and amortisation - REFCUS Management have amended the above balances following the publishing of the draft accounts. We are currently discussing the changes with management to understand the rationale.	TBC	TBC	
Overall impact (sub-total)			

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 and Ethics 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
Community assets reclassification			
During this year's valuation, it was decided that there are some of the assets included within the operational land and buildings should be treated as community assets instead. However, management have chosen not to reclassify these in 2023/24 on materiality basis.			
Dr PPE - Community Assets		416	
Cr PPE – Other land and buildings		(416)	
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?
<p>Prior Period Adjustment As there has been two restatements made to the prior year, in accordance with IAS 1, Management is required to add a Prior Period Adjustment note.</p>	Management should include a note in line with the requirements of IAS 1.	Y
<p>Movement in Reserves Statement In attempting to prove consistency of reserves movements between the Movement in Reserves Statement and other parts of the accounts, we identified various inconsistencies.</p>	Management should amend the relevant notes.	Y
<p>Note 14 Heritage Assets From work performed, it was identified that a reclassification of revaluation movements was required in the Heritage Assets note.</p>	Management should amend for the error.	Y
<p>Note 30 Exit Packages From work performed, it was identified that:</p> <ul style="list-style-type: none"> - 1 employee was included in the incorrect banding - The totals in the number of exit packages column needs correction 	Management should amend for the errors.	Y
<p>Note 30 Officers' Remuneration From work performed, it was identified that incorrect NI was used for the Chief Officer of Regulation and Safety.</p>	Management should amend for the error.	Y

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?
Financial instruments From work performed, it was identified that the fair value of assets was incorrect	Management should amend for this error	Y
Minor presentational, formatting and disclosure issues 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

Value for money

We are required to consider whether the Council has established proper arrangements to secure an 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').

Appendix 1

Our Value for Money work is still ongoing at the point of presenting this report. We will provide an update in the final Audit Findings Report to the February 2025 Audit & Ethics Committee. We will also set our detailed commentary in our Auditor's Annual Report at the same committee meeting.

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	Yes	TBC	TBC	TBC
Governance How the body ensures it makes informed decisions and properly manages risk	No	TBC	TBC	TBC
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	TBC	TBC	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:

- **Contingent fees:** No contingent fee arrangements are in place for any services provided.
- **Non-audit services:** We do not provide any non-audit services to the Council.
- **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.

Appendices

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Appendix I: Internal control recommendations

We set out here the recommendations we have identified to date 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 will be reported separately in our Auditor’s Annual Report.

Assessment	Issue	Recommendation	Management response
Significant deficiency	<p>Timeliness of property valuations</p> <p>The valuation of land, buildings and council dwellings was not finalised until September 2024, almost four months after the publication of the draft accounts. This meant that the audit team were unable to begin the testing in this area as planned and that audit adjustments were process by management following the draft accounts being presented for audit.</p>	<p>Management should ensure they engage with valuers early and the final report is available in time with their closedown and financial statements preparation timetable.</p>	<p>Management response required</p>
Other deficiency	<p>Journals with blank descriptions</p> <p>Per our understanding of the Council’s control environment, the finance system should not allow creation and approval of journals with blank line descriptions. However, three journals were identified with blank line descriptions. From testing of these journals, it was identified that the system does allow ‘blank descriptions’ but these should be identified by the authorising officer and corrected before final posting.</p>	<p>Management should strengthen the journals control environment and ensure journals are not posted with blank line descriptions.</p>	<p>Management response required</p>

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

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Other deficiency	<p>Corporate risk register It would be helpful to understand the initial risk rating and then the mitigating controls/actions to reduce the risk level where possible. The mitigated risk rating should also then be included. At the moment it shows the previous level and the current risk level without understanding why it has changed.</p>	Management should review the risk register and assess whether it can be improved.	Management response required
Other deficiency	<p>Timeliness of reports from HRA and Housing system reports As part of our debtors testing and HRA income testing, there have been multiple instances where management haven't been able to obtain the system reports as of 31 March 2024 due to it being a live system.</p>	Management should download reports in a timely manner and keep sufficient records of them so that it provides strong audit trail.	Management response required

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

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Other observations	<p>Bank reconciliation</p> <p>As part of our bank reconciliation testing, we have tested a reconciling item which is a receipt on bank statement not in the cash book. Upon evaluation of evidence provided, we note that the item has been received in the bank and recorded as a receipt in the general ledger. This is due to management including feeder reports as reconciling items in the bank reconciliation.</p> <p>This process meant that the sample we have tested appeared twice in the bank reconciliation; 1) as a receipt on bank statement not in cash book (reduction on bank balance), and 2) as a receipt in cash book not on bank statement (addition on bank balance). While the impact of the item on the bank reconciliation is nil, we deem that the process can be improved so transactions are not treated as reconciling items when they are not.</p>	<p>Management should review the existing bank reconciliation process and assess whether it can be simplified.</p>	<p>Management response required</p>

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

Appendix I: Internal control recommendations

Follow up of prior year recommendations – raised by Grant Thornton

As part of our work, we have followed up on control weaknesses and recommendations either raised in last year’s report or carried forward from prior reports. Where these have not been addressed by the Council, we have provided an update below.

Assessment	Issue and Recommendation	2023/24 Update	Management response
Other deficiency	<p>Quality review of financial statements During the audit we noted several disclosure errors in the financial statements that were communicated to management and corrected. Upon reflection we noted that these deficiencies occurred due to weakness in the financial statements’ preparation and review processes.</p> <p>The Council should ensure they do a thorough quality check of the financial statements ahead of publishing the statements and presenting for audit.</p>	As new auditors we have experienced the same issue. We therefore consider that this has not been fully addressed, and we consider this deficiency to remain open.	Management response required
Other deficiency	<p>Minimum revenue provision The Minimum Revenue Provision is 1.75% of opening Capital Financing Requirement (excluding HRA Items). We have checked the calculations as accurate and whilst this is below 2%, it is only just below this level.</p> <p>The MRP should be set at 2% of CFR to avoid not having sufficient funds available for capital expenditure/ capital finance repayments in the future.</p>	As new auditors, we have identified the same issue. We therefore consider that this has not been fully addressed, and we consider this deficiency to remain open.	Management response required

Appendix II: IT control recommendations

We set out here the recommendations we have identified as part of our Technology Risk review.

Assessment	Issue	Recommendation	Management response
Other deficiency	<p>Windows Active Directory We confirmed that the IT team review accounts on at least a quarterly basis to look for disabled leaver accounts that should have been deleted. However, this process is not documented, deeming this control ineffective.</p> <p>A lack of periodic review of user access could result in inappropriate, excessive or unauthorised access being available to users/leavers.</p>	<p>We recommend the quarterly review of accounts to be formally documented, whereby evidence is retained to show the review conducted, required actions (such as removing an active leaver) and evidence to show actions have been resolved in a timely manner.</p>	Management response required
Other deficiency	<p>Finance It has been confirmed that no formal user access reviews conducted.</p> <p>A lack of periodic review of user access could result in inappropriate, excessive or unauthorised access being available to users/leavers.</p>	<p>We recommend that formally documented user access reviews are carried out, on an at-least annual basis, with documentation recorded and maintained for a clear audit trail and evidence.</p>	Management response required

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

Appendix II: IT control recommendations

We set out here the recommendations we have identified as part of our Technology Risk review.

Assessment	Issue	Recommendation	Management response
Other deficiency	<p>Finance It has been confirmed that a change was developed and pushed to live without approval or confirmation of successful test.</p> <p>Changes to programs and/or other aspects of the IT environment can be made without appropriate requests, impacting, approvals thus increasing the risk of unauthorised changes being deployed to the production environment.</p>	We recommend that changes should be approved by management before they are pushed to the live environment.	Management response required
Other deficiency	<p>Finance It has been confirmed that the user responsible for developing a change was also responsible for deploying the change.</p> <p>Inappropriate access to develop and to deploy changes increases the likelihood of any change management process being circumvented resulting in unauthorised changes being deployed to the production environment.</p>	We recommend that the organisation segregates duties where the user responsible for making a change to the finance system should not be responsible for implementing the change.	Management response required

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

Appendix II: IT control recommendations

We set out here the recommendations we have identified as part of our Technology Risk review.

Assessment	Issue	Recommendation	Management response
Other observations	The Council does not have a risk-based Cyber Security Strategy in place. Additionally, risks documented within the Risk Register do not document additional controls for cyber related risks.	<p>The Council should implement a cyber security strategy to address and mitigate risks or improve cyber security measures or incorporate these within the existing IT and Digital Services Strategy. This could set out goals and ambitions, include future cyber risks, measures to mitigate potential risks. For example, consideration of advancement of AI.</p> <p>Additionally, the Council could add clear actions to help mitigate cyber risks identified on the risk register. These should be dated, with progress checked.</p>	Management response required
Other observations	The Council do not have a Supplier Assurance Questionnaire to perform risk assessment of cyber threats related to outsourcing or third-party service provisions. It was informed by key contacts that most contracts are awarded via CCA frameworks. However, evidence was not provided of due diligence completed as part of the framework. As such, this cannot be confirmed.	In addition to the Council's existing controls of including security clauses within contracts, the Council should conduct a security assessment as part of due diligence activities prior to onboarding new suppliers / signing contracts with third parties. This will help to ensure that these third parties have appropriate security controls in place prior to onboarding. Regular reviews should be undertaken of suppliers following onboarding to confirm that these requirements are still in place.	Management response required

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

Appendix II: IT control recommendations

We set out here the recommendations we have identified as part of our Technology Risk review.

Assessment	Issue	Recommendation	Management response
Other observations	The Council do not report on the response to addressing the cyber security risks and threats to senior management, executive levels, or relevant governance groups.	A reporting mechanism and process should be created for reporting on Cyber Threats and Risks. This should include; what information is reported, reporting frequency, and to whom. Regular meetings should take place with senior management, executive levels, and other relevant governance groups to discuss Cyber threats and risks. Meeting Minutes should be created to document the discussion and actions that may come as a result of this.	Management response required
Other observations	The Council have up-to-date policies in place. Whilst, the Council are planning to implement Cyber Security test, training, and awareness programmes, this is not yet in place. As such, completion monitoring cannot be evidenced.	Mandatory Cyber Security training should be provided to all staff as expected through the Cyber test, training, and awareness programmes. Address key topics such as Threats, Phishing, Ransomware, Incident reporting. A process should be implemented to ensure the completion of training. For example, informing line managers, email reminders. Non-completion rates should be reported on and communicated to relevant groups. The results of the simulation and awareness training on cyber security, that is being implemented in April 2024, should be reported on to the Leadership and Management Team, as expected.	Management response required

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

Appendix II: IT control recommendations

We set out here the recommendations we have identified as part of our Technology Risk review.

Assessment	Issue	Recommendation	Management response
Other observations	The Council have a Disaster Recovery plan that covers Loss of Key Site, and Loss of Data Centre. There is no Cyber Incident Response Plan in place. It was informed by key contacts that one of the scenarios within the Disaster Recovery Plan is a cyber-attack. However, documentation was not provided to evidence and confirm this.	<p>The Council should implement a Cyber Incident Response Plan. This could include; asset mapping, roles and responsibilities, escalation criteria, response steps, post incident activity.</p> <p>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.</p>	Management response required

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 confirm there were no fees for the provision of non-audit 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)	156,438	156,438
ISA 315*	23,466	23,466
Prior period adjustment (CF debtors)	N/A	5,757
Prior period adjustment (Pensions)	N/A	14,895
Delays including valuation report and other quality issues	N/A	27,653
[Others]	N/A	TBC
Total fees charged	179,904	TBC

*The work relating to this standard is not included within the scale fee set out above and the total amount is subject to determination by PSAA.

The audit fees as reported within our Audit Plan reconcile to the fees disclosed in the financial statements for the base audit fee and ISA 315. Additional fees have not been included as these have not yet been agreed pending completion of the audit.

Explanation for change in fee

Additional fees were incurred as a result of ISA 315 not being included in the original scale fees set by PSAA.

We also incurred additional fees due to the following:

- Prior period adjustment relating to collection fund debtors at 31 March 2023.
- Prior period adjustment relating to the pension asset at 31 March 2023.
- Significant delays experienced in the receipt of the land & buildings and council dwelling valuation reports and other delays / poor quality information.
- [To confirm any additional fees on completion of the audit for financial statement and VFM.]

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