Chelmsford City Council
Audit Results Report

Year ended 31 March 2024

3 February 2025

Building a better working world

Audit and Risk Committee
Chelmsford City Council
Civic Centre, Duke St,
Chelmsford
CM1 1JE

3 February 2025

Dear Audit and Risk Committee Members

2023/24 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit and Risk Committee. We will update the Audit and Risk Committee at its meeting scheduled for 26 February 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Chelmsford City Council's (the Council) accounting policies and judgements and material internal control findings.

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

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

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

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

As published on the Council's website on 18 December 2024 in the Notice of Conclusion of Audit, BDO issued a disclaimed audit reports on the Council's financial statements for 2021/22 and 2022/23 under the arrangements to reset and recover local government audit.

Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 back stop date of 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

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Contents

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies from 2023/24 - PSAA]). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Audit and Risk Committee and management of Chelmsford City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Risk Committee and management of Chelmsford City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Risk Committee and management of Chelmsford City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary – Context for the audit

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

► Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.

► Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.

► Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As published on the Council's website on 18 December 2024 in the Notice of Conclusion of Audit, BDO issued a disclaimed audit reports on the Council's financial statements for 2021/22 and 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date of 28 February 2025, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Executive Summary

Expected modification to the audit report

The Council’s predecessor auditors (BDO) issued a disclaimed audit report on the Council’s 2021/22 and 2022/23 financial statements under the Government’s legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024”, Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2022/23 disclaimed audit report were set out in our 2022/23 Audit Completion Report.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

As set out within this report, we have not been able to complete our planned programme of work to obtain reasonable assurance over all closing balances. In a number of areas, we have not been able to obtain sufficient and appropriate evidence to support your financial transactions within necessary timescales. There are insufficient audit resource available to complete the outstanding procedures on your audit before the 2023/24 backstop date.

Nationally, insufficient support to audits has meant that audits have taken significantly longer than should be necessary, is one example of the factors that led to the backlog in the first place, and why the legislative backstop has been introduced.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

This is in line with the Government’s legislative arrangements set out above and specifically the ‘Recovery phase’ of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their ‘Accessible Guide’ which sets out a minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements.

We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed for 2023/24.

Executive Summary

Scope update

In our Audit Planning Report presented at the 12 June 2024 Audit and Risk Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

Our audit work in respect of the Council's opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- High level review of the Council's going concern assessment;
- Final Manager and Partner review of significant accounts and disclosures;
- Review of the final version of the financial statements;
- Completion of subsequent events review to the date of the audit report; and
- Receipt of the signed management representation letter and financial statement

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.

Executive Summary (cont'd)

Value for Money

In our Audit Planning Report dated 24 May 2024, we reported that we had not fully completed our detailed value for money (VFM) risk assessment but had identified a risk of significant weakness in relation to the Council's governance arrangements for the Chelmer Waterside Development which was identified from our discussion with management and review of minutes. We have now completed our risk assessment procedures and the work to address the risk related to the Chelmer Waterside Development and confirmed that have not identified any significant weakness in arrangements. See Section 03 of the report for further details.

Audit differences

- At the time of writing this report, we have not identified any adjusted audit difference which impact the primary statements.
- We have identified one unadjusted difference relating to Council's share of the differences in the testing of investment assets by the Essex Pension Fund auditor to bring to your attention. However until our work is fully complete further differences may be identified. We will provide an update to the Committee at its meeting on 26 February.
- Management have corrected a number of disclosure misstatements.

Other Reporting Issues

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

We will complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts on the completion of our audit. Until the NAO has confirmed whether they require us to undertake any additional procedures we are not able to issue our audit certificate.

Executive Summary (cont’d)

Areas of audit focus

In our Audit Planning Report, we identified a number of key areas of focus for our audit of the financial report of Chelmsford City Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the ‘Areas of Audit Focus’ section of this report and summarised below. A number of these areas remain subject to final Manager and Partner review.

Fraud Risk: Misstatement due to fraud or error

- Audit procedures on this risk have been completed. We have not identified any evidence that management has overridden controls additions, prepare fraudulent financial statement balances or postings within the financial statements.

Significant Risk: Inappropriate capitalisation of revenue expenditure

- We have not been able to complete all our planned audit procedures on this risk. We completed our work on the testing of additions made to property, plant and equipment and investment property during the year and have not identified any evidence of manipulation through inappropriate capitalisation. Initial testing of REFCUS did not identify items which did not meet the statutory definition. However, as this is a fraud risk area, we have to test additional samples to obtain sufficient assurance in this area. Due to the backstop date, we have not been able to undertake further work to conclude on the material accuracy of REFCUS. We will rebuild assurance on this area during 2024/25.

Significant Risk: Risk of error in valuation of PPE (other land & buildings, surplus assets) and investment property

- We have not been able to complete all our planned audit procedures on this risk. Our work on valuation of Investment property and surplus assets is complete with no matters to report. In relation to other land and buildings, there were four samples where testing could not be completed within the available timeframes due to the need for additional information to be provided in relation to follow-up queries to support the valuation inputs. As the value of these assets are material, further work would be required to obtain sufficient assurance over the material accuracy of valuations which we were not able to undertaken due to the backstop date. We have no matters to report on the rest of the other land and buildings samples tested. We will rebuild assurance on this area during 2024/25.

Inherent Risk: Pensions liability valuation

- The work on this area is currently in review at the time of this report. We have received IAS 19 assurance response from the Essex Pension Fund auditors. We also engaged our EY Pensions team to review the IAS 19 reports for 2021/22, 2022/23 and 2023/24 and the asset ceiling calculation. Their work required additional data from the actuary which due to timeframes will not be received before the backstop date and therefore we will rebuild the assurance on this area in 2024/25.

Inherent Risk: Heritage assets

- We have not been able to complete all our planned audit procedures on this risk due to timeframes and the level of audit work required due to the nature of asset base. Rebuilding assurance work will be required in 2024/25 to gain assurance over completeness and existence of heritage assets.

Executive Summary (cont'd)

Areas of audit focus (continued)

Inherent Risk: Minimum Revenue Provision (MRP) calculation

- Initial work on MRP are completed with no issues identified.

Area of Focus: IFRS 16 Lease Disclosure

- Audit procedures on this area of focus has been completed with no issues identified.

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

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

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

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

We did not identify any observations or improvement recommendations in relation to management's financial processes and controls.

Independence

Please refer to Section 07 for our update on Independence. We have no independence issues to report to you.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

Fraud Risk

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

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

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

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

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Our journal testing focused on inappropriate capitalisation of revenue expenditure (fraud risk) did not identify any issues.

The works on these areas are currently subject to review by the Manager and Partner.

Our response to the key areas of challenge and professional judgement

We undertook the following standard procedures to address the fraud risk, which included:

- Identified fraud risks during the planning stages;
- Inquired of management about risks of fraud and the controls put in place to address those risks;
- Understood the oversight given by those charged with governance of management's processes over fraud;
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions);
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Determined an appropriate strategy to address those identified risks of fraud;
- Performed mandatory procedures regardless of specifically identified fraud risks including testing of journal entries and other adjustments in the preparation of the financial statements;
- Undertook procedures to identify significant unusual transactions;
- Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

Areas of Audit Focus

Inappropriate capitalisation of revenue expenditure

Fraud Risk

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

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure and incorrect classification of expenditure as revenue expenditure financed from capital under statute (REFCUS).

What are our conclusions?

We have completed our work on capital additions and have not identified any additions that were incorrectly capitalised.

Initial testing of REFCUS did not identify items which did not meet the statutory definition. However, as this is a fraud risk area, we must test additional samples to obtain assurance on the balance. Due to the backstop date, we have not been able to undertake further work to conclude on the material accuracy of REFCUS. We will undertake further work on this area as part of the rebuilding assurance processes in 2024/25.

Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.

The work above are subject to review by the Manager and Partner.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Tested property, plant and equipment (PPE) and investment property (IP) additions by examining invoices, capital expenditure authorisations, leases and other data that support these additions.
- Assessed whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred by reviewing the samples selected against the definition of capital expenditure in IAS 16.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS, to ensure that the revenue expenditure meets the definition of REFCUS and can therefore be financed from capital resources.
- Identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Areas of Audit Focus

Risk of error in valuation of property, plant and equipment specifically other land & buildings, surplus assets and investment property

Significant Risk

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

Property, plant and equipment and investment property represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgmental inputs and estimation techniques are required to calculate the year-end land & buildings, surplus assets and investment property valuations held in the balance sheet.

What are our conclusions

Our testing has provided assurance over the material accuracy of the valuation of investment property and surplus assets as at 31 March 2024 for assets revalue in year. In relation to other land and buildings, there were four samples where testing could not be completed within the available timeframes due to the need for additional information to be provided in relation to the valuation inputs of the sampled properties. We have no matters to report on the other land and buildings samples tested.

We do not have full assurance over the overall value of PPE (other land & buildings and surplus assets) and investment property in the Council's Balance Sheet at 31 March 2024. This is because we do not have assurance over additions, disposals and valuations in 2021/22 and 2022/23 due to the opinion on those years being disclaimed. Therefore, we do not have assurance over the completeness and accuracy of movements in 2021/22, 2022/23 and the resulting asset base for 2023/24.

Our response to the key areas of challenge and professional judgement and our conclusion

- Considered the work performed by the Council's external valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;

  No matters to report. We deem that the inputs and assumptions used in the valuation are reasonable.

- Assessed the classification of assets and the valuation basis that are assigned as a result to confirm they are appropriate;

  No matters to report.

- Grouped the assets revalued during the year into types and selected a sample of assets based on value and complexity of valuation and movements in year, ensuring that at least one asset have been selected from each type;

  No matters to report. We deem that the inputs, methodology and assumptions used in the valuation are reasonable.

- Engaged our EY valuers to support the audit team in the assessment;

  No matters to report. EY Real Estates have concluded that the methodologies used in developing the estimate are appropriate and the value used are supportable and within the reasonable range.

- Reviewed the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for property, plant and equipment and annually for investment property;

  No matters to report.

- Reviewed assets that are not subject to valuation in 2023/24 to confirm the remaining asset base is not materially misstated; and

  No matters to report.

- Reviewed and test the accounting entries and disclosures made within the Council's financial statements.

  No matters to report.

Other Areas of Audit Focus

Pension liability valuation

Inherent Risk

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

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

The Council's pension fund estimated liability is £5.3 million at 31 March 2024. The position at 31 March 2023 was an asset of £31.4 million. These are material estimated balances, and the Code requires these to be disclosed on the Council's balance sheet.

Where the net pension position is an asset at year end, the CIPFA Code of Practice requires the application of an asset ceiling to limit the extent to which a surplus is recognised on the balance sheet under the accounting standard IFRIC 14. The application of IFRIC 14 is not normally within the scope of an actuarial valuation unless specifically instructed by the employer. There is therefore a risk that IAS19 disclosures have been produced assuming no IFRIC 14 adjustments are required and therefore the Council may be recognising too high a pension asset in the balance sheet.

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

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

Our response to the key areas of challenge and professional judgement

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

What are our conclusions?

Our conclusions are:

- We have received the IAS 19 assurance response from the Essex Pension Fund auditor. The Council's share of the differences in the testing of investment assets by the Essex Pension Fund auditor is £233,990 resulting to understatement of investment assets. This is not material to the Council.
- We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have followed up on relevant points and have not identified any issues;
- We were supported by our EY Pensions team to review the IAS19 reports and asset ceiling calculation. Their work required additional data from the actuary which due to timeframes will not be received before the backstop date and therefore we will rebuild the assurance on this area in 2024/25; and
- We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.

Other Areas of Audit Focus

Heritage assets - completeness and existence

Inherent Risk

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

The Council holds material heritage assets. Although not subject to the same valuation risk as property plant and equipment and investment property, we have identified a risk regarding the completeness and existence of heritage assets related to the missing assets identified by management during the year and related weaknesses in controls over these assets.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Obtained heritage assets listing from the museum with the value of each assets and reconcile this to the disclosures in the financial statements;
- Assessed the report on the lost assets produced by the Council's Internal Audit team and assess the impact on our risk assessment in this area and perform follow-up procedures as necessary;
- Considered the work performed by the Council's internal and external valuers and the results of their work; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements.

What are our conclusions?

We have reconciled the assets listing with the value of heritage assets to the disclosure in the financial statements and have no matters to report.

However, we have not been able to test the existence and completeness of heritage assets due to timeframes and the level of audit work required due to the nature of asset base. It was therefore agreed that we will rebuild the assurance on this area in 2024/25.

Other Areas of Audit Focus

Minimum Revenue Provision (MRP) calculation

Inherent Risk

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

Under statute, the Council is required to calculate and set aside a minimum revenue provision for the repayment of debt. The calculation and supporting regulations are complex and therefore there is a risk that the Council may not have calculated this correctly. Although the Council's MRP is not material, we have assessed that there may be a risk of material understatement.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Reviewed the Council's calculation of the Capital Financing Requirement (CFR) and minimum revenue provision (MRP); and
- Checked that Council's MRP Policy is compliant with the statutory guidance issued by MHCLG.

What are our conclusions?

We have reviewed the calculation of Capital Financing Requirement and Minimum Revenue Provisions. Based on the information provided to us, we are satisfied that the Council's MRP Policy is compliant with the statutory guidance issued by MHCLG.

Other Areas of Audit Focus

IFRS 16 Leases disclosures (area of focus)

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

The Financial Reporting Standard IFRS 16 Leases, will become effective for local authorities from 1 April 2024 to replace the existing IAS 17 (although local authorities may adopt IFRS 16 on a voluntary basis). The new standard will eliminate the traditional distinction between operating and finance leases and bring in a single approach under which all substantial leases are recognised on the balance sheet.

Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Changes agreed by CIPFA/LASAAC in relation to the adoption of IFRS 16, include:

- the identification of leases;
- the recognition of right-of-use assets and liabilities and their subsequent measurement;
- derecognition and presentation and disclosure in the financial
- the consequential changes to other sections of the Code.

The new accounting standard introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. Hence, work will be necessary to secure the relevant information to enable local authorities to fully assess their leasing position and to ensure compliance with the standard from 1 April 2024.

Although IFRS 16 does not come into effect until 1 April 2024, the Code of Practice on Local Authority Accounting requires local authorities to disclose information relating to the impact of the accounting change, where a new standard has been published but has not yet been adopted.

Other Areas of Audit Focus

IFRS 16 Leases disclosures (area of focus)

Our response to the key areas of challenge and professional judgement

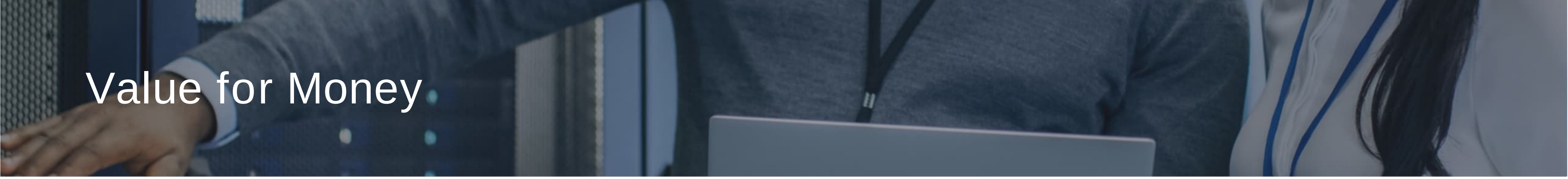
In response to this risk, we undertook the following procedures:

- Assessed the work that the Council has been doing and evaluate the preparedness and readiness of the Council in the implementation of IFRS 16; and
- Reviewed the IFRS 16 disclosures and policy decisions made by the Council. The 2023/24 financial statements must disclose the impact the initial application of IFRS 16 is expected to have on the Council.

What are our conclusions?

We assessed and reviewed the work of the Council in relation to IFRS 16 and we have nothing to report based on the work completed.

03 Value for Money



Value for Money

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

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

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

Risk assessment and status of our work

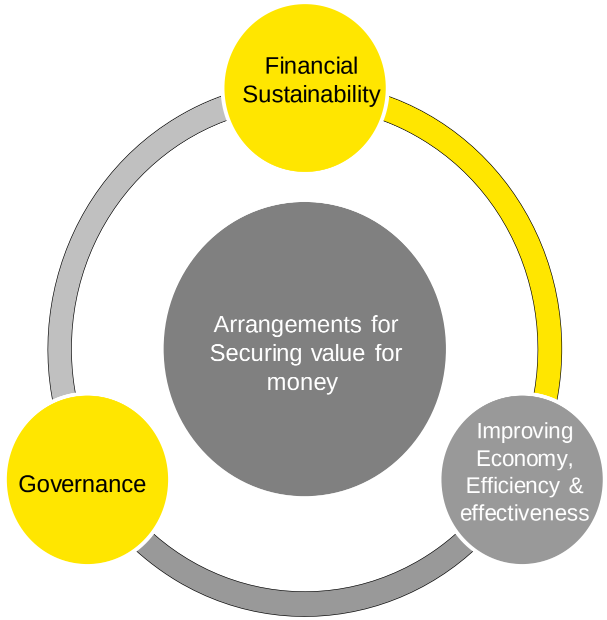
We are required to consider whether the Council has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

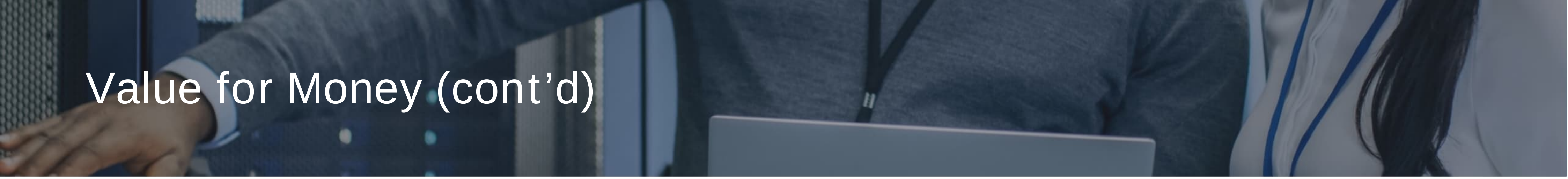
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council’s arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on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

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

- Financial sustainability - How Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have completed our detailed VFM work and identified one risk of significant weakness as documented on the following page.





Value for Money (cont’d)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
Council’s value for money arrangements on Chelmer Waterside Development, Council’s largest development scheme. Chelmer Waterside is a large expanse of land to the east of the Chelmsford city centre. The development of this area is a significant project for the Council. Making properly informed decisions: having arrangements in place to support effective decision making and assessing the scheme’s financing requirement and its financial impact on the Council is critical in the Council’s consideration of options for this development. These arrangements should include areas such as arrangements for selecting the developer and potential methods of sale, which may include direct sale, a joint venture or a development agreement.	• Financial sustainability • Governance • Improving economy, efficiency and effectiveness	▪ Reviewed the Council’s arrangements in relation to this development to assess their adequacy in terms of supporting the Council in making properly informed decisions which are supported by appropriate evidence and allow for challenge and transparency; ▪ Reviewed the legal and professional advice the Council received, to support its decision-making process in this area; ▪ Reviewed how the Council plans and manages the funding in relation to this scheme and its financial impact; and ▪ Reviewed how the Council uses information about its costs and performance to improve the way it manages and delivers this scheme.

Findings

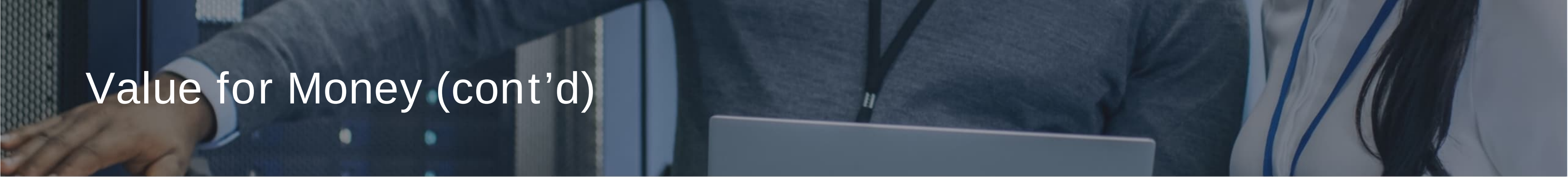
The Council has a capital monitoring process which covers the Chelmer Waterside Development. This has also been considered when setting the budget during the year.

The project manager submits a monthly report on all the elements of spending which make up the Chelmer Waterside Scheme. The report outlines progress updates, key issues and cost updates which set out the current position as regards forecast cost and spend to date versus budget and funding. Costs presented in the report are consistent with the planned capital expenditure per the budget and the scheme is funded in the current financial planning from grants and CIL. Reductions in the overall capital programme costs have meant that no borrowing has been needed for Chelmer Waterside Development to date. No capital receipts from this scheme have been included in the financial forecasts.

The Council has established a project panel with strategic oversight over the project. The Panel receive regular project updates and make necessary recommendations to Cabinet in relation to any key decisions linked to the project. A Project Team will report to the Chelmer Waterside Project Panel in terms of the day-to-day delivery of the three elements of the project.

A risk management strategy for the Project is in place and monitored by the Project Board. A project manager has been to help the Council in monitoring the progress of the project, identifying key risks and forecasting and managing the costs. The overarching risk management strategy is covered within the progress report submitted by project manager.

The Council had also considered legal and professional advice obtained to support the decision-making process in relation to the development. The Council has undertaken further due diligence to ensure that potential risks have been identified, evaluated, and mitigated.



Value for Money (cont’d)

Risk of significant weakness in VFM arrangements

Findings

Regular capital expenditure and resources monitoring is undertaken which includes Chelmer Waterside. This monitoring includes reviewing all the forecast capital spending and funding streams available. This enables judgements to be made as to whether there are enough resources available to fund the capital spend and where there may be requirements for borrowing.

The capital financing requirement is monitored regularly along with prudential indicators, which are reviewed and when necessary, changes approved. The cost of financing the capital spend (MRP and interest) is reported with the revenue budget. The capital expenditure programme is reviewed as part of the monitoring and budget setting. Changes impacting the prudential indicators are reported to Council.

Conclusion: Based on the work performed, the Council had proper arrangements in place to in relation to this development scheme, Chelmer Waterside Development in 2023/24. No significant weakness identified.

We will issue our VFM narrative commentary in our 2023/24 Auditor’s Annual Report.

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

At the time of writing this report, we have not identified any adjusted audit difference which impact the primary statements. However, as our review is not yet complete, further differences may be identified.

We have currently identified one unadjusted difference to bring to your attention.

- This relates to the Council’s share of the differences in the testing of investment assets by the Essex Pension Fund auditor amounting to £233,990 resulting to understatement of investment assets.

However until our work is fully complete further differences may be identified. We will provide an update to the Committee at its meeting on 26 February.

Management have agreed to correct a number of disclosure misstatements.

05 Audit Report

Audit Report

Expected modifications to our audit report

The Council’s predecessor auditors (BDO) have issued a disclaimed audit reports on the Council’s financial statements for 2021/ 22 and 2022/23 under the Government’s legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024”, Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2022/23 disclaimed audit report were set out in the aforementioned 2022/23 Audit Completion Report.

As a result of the 2021/22 and 2022/23 disclaimed audit reports, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

As set out within this report, we have also not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances and in year transactions.

There is insufficient resource available to complete the above outstanding procedures on your audit before the 2023/24 backstop date. Nationally, insufficient support to the audit have meant that it takes significantly longer than should be necessary is one example of the factors that led to the backlog in the first place, and why the legislative backstop has been introduced.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion. The extent of the disclaimed audit report will include the areas of the 2023/24 financial statements where we have not been able to gain sufficient assurance.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

In line with the Government’s legislative arrangements set out above and specifically the ‘Recovery phase’ of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their ‘Accessible Guide’ there is an expected minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements. We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.

The form and content of the Audit Report will be shared with the Section 151 officer to enable you to formally authorise the 2023/24 financial statements for issue.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

At the date of this report, we have not identified any significant deficiencies in internal control.

07 Other Reporting Issues

Other Reporting Issues

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

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

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

Financial information in the Chelmsford City Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, and we have no other matters to report.

Whole of Government Accounts

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

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. We expect a delay in the audit certificate in respect of this work as NAO reserve the right to ask for further assurances. Until we have confirmation from the NAO that no further work is required, we will be unable to issue the audit certificate.

Other powers and duties

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

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We had no reason to exercise these duties.

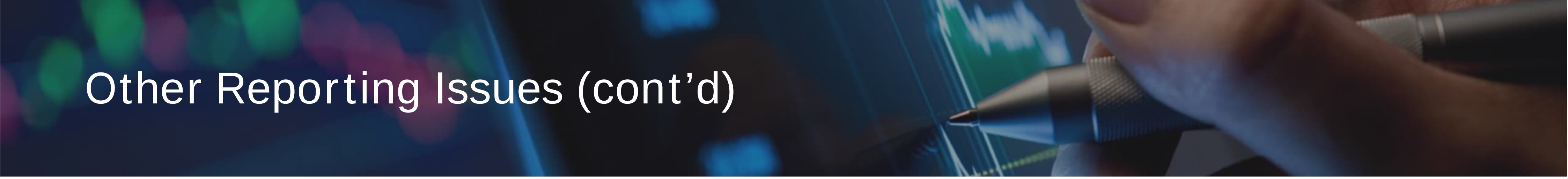
Other Reporting Issues (cont'd)

Other matters

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

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

We have no further matters, other than those already included in this report, to report.



Other Reporting Issues (cont'd)

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

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

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

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

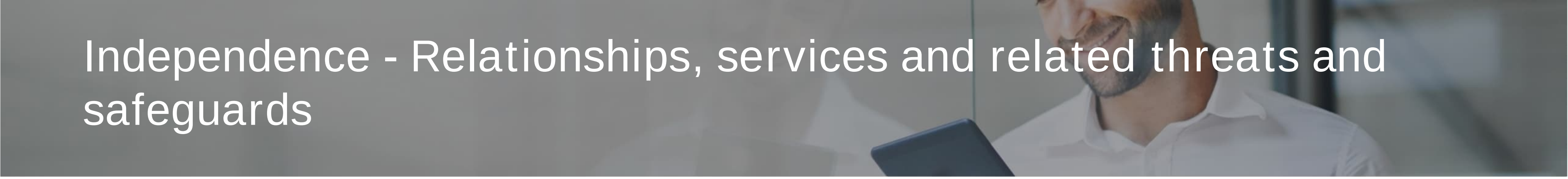
The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is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

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

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

Audit Procedures	Audit findings and conclusions
We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has 3 relevant IT applications (OneCouncil, Academy and Civica e-pay) for the purposes of our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application. When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures. We reviewed the following processes for the relevant IT applications: • Manage vendor supplied changes • Manage entity programmed changes • Manage security settings • Manage user access • Job scheduling and managing IT process	No significant issues were identified in our review of the processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review. The work is subject to review by Manager and Partner.

08 Independence



Independence - Relationships, services and related threats and safeguards

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

Relationships

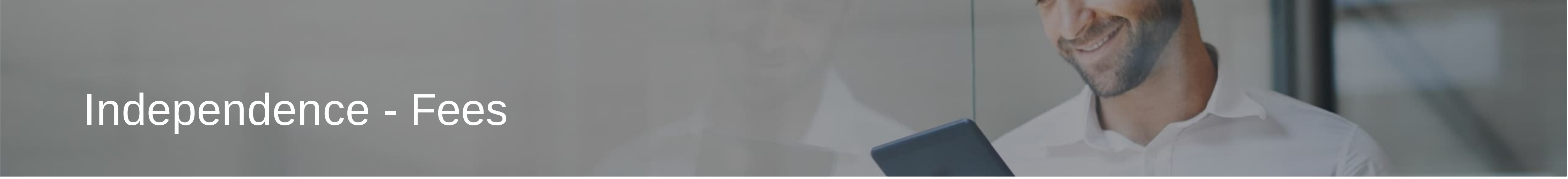
There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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

Independence - Fees



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

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

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year 2023/24 Note 1	Prior year 2022/23 Note 2
	£	£
Total Scale Fee – Code Work	166,466	46,985
Other – scale fee variation	TBC	TBC
Total audit	TBC	TBC

All fees exclude VAT

Note 1 :The scale fee is impacted by a range of other factors which will result in additional work. The areas where additional audit procedures have been performed are:

- Revisions to ISA (UK) 315
- IFRS 16 disclosures
- Other significant accounts (e.g. issues encountered in the listings to select samples from)
- VFM significant risks

PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Note 2: BDO were the Council's auditors in 2022/23. The fee included above is the PSAA scale fee.

09 Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinions issued on the 2021/22 and 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit. We note that the February 2025 backstop date combined with the prior year disclaimers and the fact that this is an initial audit for EY have impacted on the work we have been able to complete and assurances we have been able to obtain for 2023/24.

We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial	We have: • audited the 31 March 2024 valuation of a sample of assets, testing valuation movements in 2023/24. We will need to rebuild assurance over movements between 2021/22 and 2022/23 in future periods. • tested a total of 24 PPE assets (other land and buildings and surplus assets). We completed our testing and gained assurance for 20 of these. For the remaining four, our testing could not be concluded within the available timeframes due to the need for additional information to be provided in relation to follow-up queries to support the valuation inputs. We will rebuild assurance over this balance in 2024/25. • tested a sample of 22 additions during 2023/24, all of which have passed. We will test additions and disposals (if material) during 2021/22 and 2022/23 as part of rebuilding the assurance for future years. • tested the annual depreciation charge for 2021/22, 2022/23 and 2023/24, with no issues identified. We have not performed PPE existence and rights and obligations testing due to timeframes and the level of audit work required. We therefore agreed with the Council that we would test this as part of the rebuilding assurances in 2024/25. Until we are able to rebuild assurance over the completeness and accuracy of the asset base through testing of PPE additions, disposals and valuations during 2021/22 and 2022/23, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.
Investment Property	Partial	We have: • audited the 31 March 2024 valuation of a sample of assets, testing valuation movements in 2023/24. We will need to rebuild assurance over movements between 2021/22 and 2022/23 in future periods. • tested a total of six investment property valuations, all of which have passed. • tested a sample of eight additions during 2023/24, of which all have passed (there were immaterial disposals during 2023/24 therefore we have not tested these). We will still need to test additions and disposals (if material) during 2021/22 and 2022/23 as part of rebuilding the assurance. • tested the revaluation movement that flows through the CIES for 2023/24. We have not performed existence and rights and obligations testing due to time frames and the level of audit work required. We agreed with the Council to test this as part of the rebuilding assurances in 2024/25. Until we are able to rebuild assurance over the completeness and accuracy of the asset base through testing of additions, disposals and valuations during 2021/22 and 2022/23, we are unable to obtain full assurance over the completeness and valuation of investment property at 31 March 2024.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Heritage assets	Partial	We have not completed our planned audit procedures of heritage assets closing balance at 31 March 2024 due to timeframes and the level of audit work required due to the nature of asset base. It was therefore agreed that we will rebuild the assurance on this area in 2024/25. Other than this, we have reconciled the assets listing with the value of heritage assets to the disclosure in the financial statements.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Long term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Debtors	Partial	We have not completed our planned audit procedures in this area due to the inability to obtain sufficient audit evidence within the timeframes for testing for some of the samples. Therefore, we did not obtain full assurance over the closing balance at 31 March 2024. Other than this, we completed our planned audit procedures on other areas (e.g debtors cut-off testing).
Short Term Borrowings	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short and Long term Creditors	Partial	We have not completed our planned audit procedures in this area due to complexity of the creditors listing resulting in difficulties selecting samples. Therefore, we did not obtain full assurance over the closing balance at 31 March 2024. However, we completed our planned procedures on other areas (e.g. unrecorded liabilities and cut-off testing).
Short and Long term Provisions	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Capital Grants Received in Advance	Partial	We have completed our planned audit procedures in this area. However, for some of the samples, due to the timing of the grants receipt which were many years old, bank statements could not be provided to evidence the receipt.
Local Government Pension Scheme Liability	Partial	We have not completed our planned audit procedures in this area due to inability to obtain sufficient audit evidence within the timeframes, in particular the data required by our EY Pensions team from the Council's actuary in their review of the Council's IAS 19 reports for 2021/22, 2022/23 and 2023/24 and the asset ceiling calculation. We will rebuild the assurance on this area in 2024/25.
Reserves	None	We have completed our work on the movements in reserves in 2023/24 but, due to the disclaimed opinions in the prior years, we do not have assurance over those prior year movements. Therefore, until we have completed our work to rebuild assurance in this area, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Comprehensive Income and Expenditure Statement (other operating expenditure)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the material accuracy of other operating expenditure during 2023/24.
Comprehensive Income and Expenditure Statement (taxation & general grants – NNDR income, Government tariff and S31 grants, demand on the collection fund)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the material accuracy of Financing and Investment income and expenditure during 2023/24.
Comprehensive Income and Expenditure Statement (employee expenses)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the material accuracy of employee expenditure during 2023/24.
Comprehensive Income and Expenditure Statement (all other income and expenditure including financing and investment income & expenditure)	Partial	We have not completed all our planned audit procedures in these areas due to inability to obtain sufficient audit evidence within the timeframes for some of the samples selected and errors identified in the testing which would result to extended testing which we do not have sufficient time to perform before the backstop date. Therefore, we only have partial assurance on the transactions during 2023/24. In addition, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Collection Fund	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the material accuracy of Financing and Investment income and expenditure during 2023/24.

Appendix B - Required communications with the Audit and Risk Committee

Required communications with the Audit and Risk Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report, 12 June 2024, Audit and Risk Committee
Planning and audit approach	Communication of: • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The planned use of internal audit • The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report, 12 June 2024, Audit and Risk Committee
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process • Findings and issues regarding the opening balance on initial audits	Audit results report, 26 February 2025, Audit and Risk Committee

Appendix B - Required communications with the Audit and Risk Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements	Audit results report, 26 February 2025, Audit and Risk Committee
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit results report, 26 February 2025, Audit and Risk Committee
Fraud	• Enquiries of the Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud • Any other matters related to fraud, relevant to Audit and Risk Committee responsibility.	Audit results report, 26 February 2025, Audit and Risk Committee

Appendix B - Required communications with the Audit and Risk Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report, 26 February 2025, Audit and Risk Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report, 12 June 2024, Audit and Risk Committee Audit results report, 26 February 2025, Audit and Risk Committee
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report, 26 February 2025, Audit and Risk Committee

Appendix B - Required communications with the Audit and Risk Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Committee may be aware of	Audit results report, 26 February 2025, Audit and Risk Committee
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit results report, 26 February 2025, Audit and Risk Committee

Appendix B - Required communications with the Audit and Risk Committee (cont’d)

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Audit results report, 26 February 2025, Audit and Risk Committee
System of quality management	• How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report, 26 February 2025, Audit and Risk Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report, 26 February 2025, Audit and Risk Committee
Auditors report	• Key audit matters that we will include in our auditor’s report • Any circumstances identified that affect the form and content of our auditor’s report	Audit results report, 26 February 2025, Audit and Risk Committee

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ED None