

A close-up photograph of a person's hand holding a silver pen, pointing at a bar chart displayed on a tablet screen. The chart features several horizontal bars in shades of olive green and brown, set against a blue grid background. The person is wearing a blue suit jacket. The text 'CHELMSFORD CITY COUNCIL Auditor's Annual Report' is overlaid in yellow on the left side of the image.

CHELMSFORD CITY COUNCIL Auditor's Annual Report

Year ended 31 March 2024

7 April 2025

7 April 2025



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

Dear Audit and Risk Committee Members

2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Chelmsford City Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24.

This report is intended to draw to the attention of the Council's any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Committee meeting on 11 June 2025.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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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 \(from 2023/24 audits\) - 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 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 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

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

The 2024 Code paragraph 4.10 has suspended the requirement to issue an auditor's annual report by 30 November. It states that auditors may exercise judgement to determine when to issue their annual report including their commentary on arrangements to secure value for money.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we issued on 24 May 2024. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- the 2023/24 financial statements;
- Conclusions in relation to going concern; and
- the consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- if the Annual Governance Statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- any significant matters or written recommendations that are in the public interest; and
- if we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.


Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

Financial statements	<p>Disclaimed – Due to the disclaimers of opinion on the prior years, delays in receiving associated audit evidence and the limited time between the backstop dates we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2024.</p> <p>We therefore issued a disclaimed 2023/24 audit opinion on 27 February 2025.</p>
Going concern	<p>Due to the opinion being disclaimed for 2023/24, we were not able to conclude on whether the use of going concern basis of accounting is appropriate.</p>
Consistency of the other information published with the financial statements	<p>Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.</p>
Value for money (VFM)	<p>We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.</p>
Consistency of the Annual Governance Statement	<p>We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.</p>
Public interest report and other auditor powers	<p>We had no reason to use our auditor powers.</p>
Whole of Government Accounts	<p>We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our audit certificate until these procedures are complete.</p>
Certificate	<p>We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Chelmsford City Council.</p>



Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that Chelmsford City Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the senior officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures and whether we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	Arrangements related to Chelmer Waterside Development, the Council's largest development scheme, which impacts on all three criteria.	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks		
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		



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

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.

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2024:

[EY UK 2024 Transparency Report | EY - UK](#)



02 Audit of the financial statements

Audit of the financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.


On 27 February 2025, we issued a disclaimed audit opinion on the financial statements. Due to the disclaimers of opinion on the prior years, delays in receiving associated audit evidence and the limited time between the backstop dates we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2024.

We reported our audit scope, risks identified and detailed findings to the 26 February 2025 Audit and Risk Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit in relation to the significant and higher inherent risk areas. The findings for each of the identified areas are set out in the Audit Results Report in Appendix A. We did not identify any internal control issues and areas for improvement in the control environment.

Significant risk	Conclusion
Misstatements due to fraud or error	<p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p> <p>Our journal testing focused on inappropriate capitalisation of revenue expenditure (fraud risk) did not identify any issues.</p>
Inappropriate capitalisation of revenue expenditure	<p>We have completed our work on capital additions and have not identified any additions that were incorrectly capitalised.</p> <p>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.</p> <p>Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.</p>

Audit of the financial statements (continued)

Significant risk	Conclusion
Risk of error in valuation of property, plant and equipment specifically other land & buildings, surplus assets and investment property	<p>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.</p> <p>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.</p>
Inherent risk	Conclusion
Pension liability valuation	<p>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.</p> <p>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.</p> <p>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.</p> <p>We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.</p>
Heritage assets - completeness and existence	<p>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.</p> <p>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.</p>



Audit of the financial statements (continued)

Inherent risk	Conclusion
Minimum revenue provision (MRP) calculation	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.

Area of focus	Conclusion
IFRS 16 leases disclosures	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 Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2024.

Our risk assessment identified a risk of significant weakness in arrangement relating to Chelmer Waterside Development, Council's largest development scheme. As this risk impacted on all three vfm criteria, commentary on this has been included on page 18 of this report.

The Council has a number of processes supporting its delivery of services and the budget, such as the budget setting and the Medium-Term Financial Strategy (MTFS). The fundamental aim of the Council's MTFS is to maintain a sustainable financial position against a background of continuing financial uncertainty and reduced government funding as well as to support the delivery of the ambitions in the local plan. Council sets out MTFS for the next 5 years, 2023/24 – 2027/28, which provides a financial framework to support delivery of the Council's priorities.

The MTFS continues to forecast a gap between the Council's need to spend and the available resources. While the budget for 2023/24 has been balanced by using a mix of cost savings, income generation, higher fees and charges, increased use of reserves, and a Council tax increase, there remains a budget gap in future years amounting to £3.467 million in 2024/25, £2.691 million in 2025/26, £0.884 million in 2026/27, and £1.307 million in 2027/28.

The Council has established and continually updates its strong system of budget monitoring and financial control, with regular reporting both at Executive and Scrutiny level via the Audit & Risk Committee (year-end review), Overview and Scrutiny Panel (mid-year review), and Cabinet. The robustness of the financial management arrangements of the Council take into account several financial risks and assumptions including the efficiency and savings, economic structural changes such as level of income projection, inflation, energy forecast, pay, revenue budget growth, housing service costs, cost of living crisis and impact on demand, government funding, extended producer responsibilities (EPR), and business rate retention.

General Fund reserves balances at 31 March 2024 were £29.668 million, of which £15.032 million was earmarked. General Fund reserves are forecast to be £13.101 million, £14.271 million and £13.376 million in 2024/25, 2025/26 and 2026/27 respectively. The Council has plans to hold a minimum level of reserves of £9 million as set out by the Section 151 officer in the Medium-Term Financial Strategy. The Council holds a number of earmarked reserves to provide for future expenditure such as pension deficit payments, to guard against specific risk such as the reserve to support revenue costs of abortive capital projects, and to hold uncertain income until it is fully realised (Business Rates Retention income).

The Council has a revenue and capital monitoring process. Audit and Risk Committee receives Revenue Outturn report to review the key variances and actions identified. This enables the Council to identify any financial shortcomings or potential savings throughout the year. During 2023/24 senior managers were given a detailed monthly report whereas Management Team and Cabinet Members received an informal quarterly report identifying actions to address any overspends where possible. The Council only takes borrowings if needed.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2024.

Our risk assessment identified a risk of significant weakness in arrangement relating to Chelmer Waterside Development, Council's largest development scheme. As this risk impacted on all three vfm criteria, commentary on this has been included on page 18 of this report.

The Council produces an Annual Governance Statement (AGS) each year and this includes an annual review of the effectiveness of the system of internal controls included in the Council's published Statement of Accounts. The preparation and publication of the Annual Governance Statement in accordance with 'CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016)' fulfils the statutory requirement for the annual review of the effectiveness of systems of internal control and also meets the requirement for 'preparation in accordance with proper practice'. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment", which describes key elements of the Council's governance arrangements, covering key corporate systems and the range of activities for which the Council is responsible, describes processes applied in reviewing their effectiveness, and lists actions proposed to deal with significant governance issues identified.

Internal audit plays a vital role in providing independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

The Audit Services Manager is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control.

In giving this opinion, it should be noted that assurance can never be absolute. The opinion takes into account the outcome of work during 2023/24. Of the nine reviews conducted, four were given substantial assurance, three were moderate, one limited and one where only a management letter was provided. The four audit reviews where substantial assurance were received consists of Council tax and Housing Benefit', 'UK Shared Prosperity Fund', 'Council Surveillance', and 'Parks and open spaces - Income/hire including allotments'. Moderate assurances were given to 'Safer Recruitment and Payroll', 'Members allowances and expenses', and 'Theatres - Box office income/food & beverages'. The overall audit opinion provided to the Council as a result of these reviews carried out by the Internal Audit for 2023/24 was 'Moderate Assurance'. Overall, the Council's systems for control, risk and governance are generally adequate with some improvement required to address areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

The Council also has a Counter Fraud Strategy which acknowledges the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. Actions required to deliver and implement the Strategy are set out in a corresponding action plan, which included updating the Council's Fraud Risk Register and Anti bribery and corruption risk register. The risk of fraud is also monitored via the Council's Principal Risk Register to proactively identify, understand and manage the risks inherent in Council's services and associated with Council's plans and strategies, to encourage responsible, informed risk taking within risk appetite and reduce exposure to a tolerable level using a justifiable level of resources. Whistleblowing policy is also available to staff, key stakeholders and the general public via the Council's website.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2024.

Our risk assessment identified a risk of significant weakness in arrangement relating to Chelmer Waterside Development, Council's largest development scheme. As this risk impacted on all three vfm criteria, commentary on this has been included on page 18 of this report.

The Council has a Local Plan which sets out the strategic priorities in place that addresses how things are changing, what issues need to be addressed and what opportunities will be created. This will ensure that the Local Plan recognises Chelmsford's spatial characteristics in planning for its future development. The strategic priorities are as follows:

- Addressing the Climate and Ecological Emergency
- Promoting smart, active travel and sustainable transport
- Protecting and enhancing the Natural and Historic Environment, and support an increase in biodiversity and ecological networks
- Ensuring sustainable patterns of development and protecting the Green Belt
- Meeting the needs for new homes
- Fostering growth and investment and providing new jobs
- Creating well designed and attractive places, and promoting the health and social wellbeing of communities
- Delivering new and improved strategic and local infrastructure
- Encouraging resilience in retail, leisure, commercial, and cultural development

In addition, a Local Development Scheme (LDS) is developed to set out what Local Plan related documents the City Council intend to prepare and a timetable for their production and consultation in the period. Chelmsford City Council's first LDS was adopted in 2006 and has since been subject to eight previous reviews.

The Council has also a number of strategic partnerships such as Safer Chelmsford Partnership and South Essex Parking Partnership (SEPP), among others. In each case, the Council forms these partnerships based on a contract which contains specific requirements in terms of service delivery and KPIs to monitor performance.

The Council has a Code of Conduct, which governs the standards of behaviour expected of elected members and a Code of Ethics and Standards for staff which applies to officers. The Council also has procurement policies and procedures and provides training for all officers.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.

Value for Money Commentary (continued)

Council's value for money arrangements on Chelmer Waterside Development, Council's largest development scheme

No significant weakness identified

We have identified a potential risk of significant weakness in relation to the Council's arrangement for the Chelmer Waterside Development, the Council's largest development. We have reviewed the Council's value for money arrangements in each of the reporting criteria:

- Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The Council has a capital monitoring process which covers the Chelmer Waterside Development. This is also 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 the progress updates, key issues and cost updates, which set out the current position on 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. The scheme is currently funded from grants and Community Infrastructure Levy. 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.

- Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council has established a Project Panel to provide strategic oversight for the project. The Panel will 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 appointed to help 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 the project manager.

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

- 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
- 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 sufficient resources available to fund the capital spend and whether 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 identified impacting 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.



04 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>Despite the income and cost pressure from structural changes arising from Covid-19 and the economic environment, the Council has put in place arrangements to manage the available resources effectively to ensure it can continue to fund high quality services. The medium-term financial strategy (MTFS) details the budget setting process to ensure that the Council's resources are managed effectively in order to meet its statutory responsibilities and deliver the aspirations of the Council, over the medium term.</p> <p>The production and drafting of MTFS involves consulting service managers, directors and members to identify issues and risks. This is done by circulating budget packs to every cost centres for the projections.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The Council's MTFS identifies any budget gaps in future years. This report tries to identify a balanced approach to the use of reserves, reflecting that some significant cost pressures in the budget may be temporary, lasting only 2-3 years. Specific reserves should be established to meet these time-limited cost pressures. The Council acknowledges that the use of reserves is not sustainable in the long term as reserves are finite. However, it is too early to implement all the financial measures needed to move the budget onto a sustainable footing.</p> <p>Nonetheless, the Council will still need to continue to examine options to increase the use of Business Rate Retention Income to support ongoing expenditure, defer capital expenditure, and increase fees and charges for some services.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	This is through the services produce via the Council's finance system budgets for current and future years. These are tested by Accountancy and Management Team (MT). The priorities of the organisation are fed into the budget process by services, MT and Informal cabinet meeting prioritising spend and savings. Bidding for additional capital and revenue resource is prioritised by MT and Members. This is done by circulating budget packs to every cost centres for the projections.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	Capital investment decisions form part of the budget planning. Capital bids are made by services which enable clear assessment by Management Team (MT) and Members. The Council produces a forecast that allows for capital strategy and plans. The services include in budgets the requirements of their relevant strategies. MT as consultees on the budget ensures compliance with their services priorities and strategies. Service Managers will ensure budget proposals include the implications of operational planning and strategies. MT and Informal Cabinet discuss these at un-minuted meetings.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council captures risks by a risk register to proactively identify, understand and manage the risks inherent in the Council's services and associated with Council's plans and strategies, so as to encourage responsible, informed risk taking within the Council's risk appetite and reduce exposure to a tolerable level using a justifiable level of resources. The key element identification of risk is via ensuring services monitor current in year spend and future spending plans.</p> <p>The risk management function assists the Council to identify, understand and manage its risks. The function reports twice a year to the Audit and Risk Committee to enable the Committee to monitor the effective development and operation of risk management in the Council. The Council has also a reserve levels determined by risk assessment.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council's risk management framework provide risk information to support decision-making and resource allocation, improve compliance with policies, procedures, laws and regulations and stakeholder expectations and provide assurance to internal and external stakeholders that the Council is well-managed. All decision at Cabinet and Council require consultation with monitoring officer and S151.</p> <p>The Council also utilises the internal audit function to review controls. The Audit Services Manager is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit have developed internal audit plan which is based on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.</p>
How the body approaches and carries out its annual budget setting process	<p>The Full Council is responsible for setting budgets and policies while the Cabinet is responsible for making day-to-day decisions within the budgets and policies that the Full Council has set. Service managers involvement is done via submission into financial system of current and future year finance, in late summer. Accountancy challenge the budget submissions. Management Team and informal Cabinet discussion of budget position from early summer to final publication of proposals in January. In addition, the Section 151 officer analyses the major risks contained within the budget and provides an opinion on the robustness of the estimates and the adequacy of reserves, in line with statutory requirements.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	Monthly snapshot information of key financial spend and income are produced. Summary reporting of current year spend is done four times a year to Management Team and Cabinet members which includes identifying financial challenges and undertaking corrective actions.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council's constitution contains details of their decision-making process. It sets out how they operate, how they make decisions and the procedures that Council follow. Council or committee reports are published via the Council' website, and the contents are available online (wherever possible). System of reports and delegations requires written evidence when deemed a key decision. The Council maximises the use of internal audit function to identify weakness or review decision process may have demonstrated weakness. The Audit and Risk Committee (TWCG) provides independent assurance over the adequacy of the risk management framework and the internal control environment. Amongst other things, the Audit and Risk Committee review the Council's corporate governance arrangements, determine the scope and depth of external audit activity, and also commission work from internal and external audit.



Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>The Council has several policies and procedure manuals relating to its processes and internal control. Training and awareness sessions are provided as necessary and appropriate induction sessions are carried out. Management communicates expected and acceptable behaviour via written codes of conduct for staff and members.</p> <p>The Council has a number of arrangements in place to ensure compliance with laws and regulations:</p> <ul style="list-style-type: none">- The intranet holds the Council's Code of Conduct which Members and staff are expected to follow.- Under s5 of the Local Government and Housing Act 1989, the Council has a Monitoring Officer who is responsible for ensuring that the action/inaction by the Council, its committees or officers is not contrary to law.- Committee reports have a legal implications section included.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The scrutiny of financial management is undertaken by Internal Audit, Audit and Risk Committee, the Performance review work of the Overview and Scrutiny Committee, the Treasury Management and Investment Sub-committee, and the Risk Management process.</p> <p>Financial monitoring highlights overspends which enables Management Team to challenge service performance. Accountancy undertake analysis of year end position and identify areas where activity is not aligned to budgetary objectives. Overspends on housing in last two years have led to reviews of service activity.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Overview and Scrutiny Committee will establish time-limited Task and Finish Groups to undertake investigations or reviews. Task and Finish Groups are responsible for undertaking an in-depth review to investigate specific aspects of policy, services or issues of concern to the community. The work undertaken by Task and Finish Groups aims to influence and improve policy and service delivery. Task and Finish Groups will consist of a minimum of two Councillors and take into account cross party representation. Each Task and Finish Group will be required to prepare a final report for submission to the Overview and Scrutiny Committee where future actions and recommendations will be considered and discussed.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council has a number of strategic partnerships such as Safer Chelmsford Partnership and South Essex Parking Partnership (SEPP), among others. In each case, the Council forms these partnerships based on a contract which contains specific requirements in terms of service delivery and KPIs to monitor performance.</p> <p>Specific individuals are responsible for the management and monitoring of these partnerships and review the KPI's through deep dive sessions and the Task and Finish groups. Corporate plan targets are monitored via the Council EPR system.</p>



Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Council does not undertake any material level of commissioning. The procurement of services is managed by Council rules. Compliance with the rules is tested via internal audit and by the procurement team being able to analyse and monitor spend via the Council's financial system. The Procurement Team supports the Council's corporate priorities through enabling officers to purchase goods, services and works in a way which is not just legally compliant, but which also secures value for money.

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Chelmsford City Council

Provisional Audit Planning Report
Year ending 31 March 2025
22 April 2025



The better the question. The better the answer. The better the world works.



Shape the future
with confidence



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

22 April 2025

Dear Audit and Risk Committee Members

Provisional Audit Planning Report

Attached is the provisional Audit Planning Report for the upcoming meeting of the Audit and Risk Committee. This report aims to provide the Audit and Risk Committee of Chelmsford City Council (the Council) with a basis to review the proposed audit approach and scope for the 2024/25 audit. This is in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements. This report summarises our evaluation of the key issues driving the development of an effective audit. We have aligned our audit approach and scope accordingly. We have not yet fully completed all our planning work, and will update the Committee on any changes to our risk assessment once we have concluded all our procedures. The report also addresses the broader impact of Government proposals aimed at establishing a sustainable local audit system.

As the Council's body charged with governance, the Audit and Risk Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will affect the level of resources required to fulfil our responsibilities. We will assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit and Risk Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. We will also consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements if deemed necessary. We direct Audit and Risk Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

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.

We welcome the opportunity to discuss this report with you on 11 June 2025 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (<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/>). 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 (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO 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**. 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 2024/25 audit strategy overview

2024/25 audit strategy overview

Context

Timely, high-quality financial reporting and audit of local bodies play a crucial role in our democratic system. It aids in effective decision-making by local bodies and ensures transparency and accountability to local taxpayers. There is a consensus that the delay in publishing audited financial statements by local bodies has reached an unacceptable level, and it is acknowledged that cooperation among all stakeholders in the sector is necessary to address this issue. The reasons for the backlog are well-documented and include:

- Insufficient capacity within the local authority financial accounting profession.
- Increased complexity of reporting requirements within the sector.
- Insufficient capacity within audit firms with public sector experience.
- Heightened regulatory pressure on auditors, leading to an expanded scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the Local Authority Reset and Recovery Implementation Guidance, have been created to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. This change follows the December 2024 launch of the Government's strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office. The approach to addressing the backlog consists of three phases:

- **Phase 1: Reset;** clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This is largely complete.
- **Phase 2: Recovery from Phase 1;** from 2023/24, use backstop dates to prevent a recurrence of the backlog and allow assurance to be rebuilt over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements is 27 February 2026. Auditors are waiting for guidance from the system leader to effectively, efficiently and consistently build back assurance over disclaimed audit periods.
- **Phase 3: Reform;** involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As detailed in our Audit Results Report presented to the Audit and Risk Committee on 26 February 2025, we disclaimed our audit opinion on the Council's 2023/24 financial statements.

We have obtained assurance over some of the closing balances in 2023/24. However, we do not have assurance over all brought-forward balances in 2024/25. Consequently, we lack assurance over all in-year movements and some closing balances for 2024/25. Although we will continue to work towards rebuilding assurance ahead of the 2024/25 backstop date (subject to guidance), we will not be able to obtain sufficient evidence to have reasonable assurance over all closing balances. We therefore expect to again issue a disclaimer of opinion in 2024/25.

2024/25 audit strategy overview (cont'd)

Rebuild of assurance – current position

The National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIG) 05 on 10 September 2024, detailing the principle of returning to a state where auditors can issue audit opinions on local authority financial statements with sufficient audit evidence. This process will take several years to achieve.

Restoring assurance will need local authorities and auditors to work together. We are waiting for guidance from the National Audit Office and Financial Reporting Council to ensure a consistent approach for restoring assurance for disclaimed periods. Until then, we are unable to commence the rebuilding work programme.

We will audit the 2024/25 closing balance sheet and in-year transactions, similar to our approach for 2023/24, as well as performing additional risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position for 2024/25. Updates on rebuilding assurance for the historical position will be provided as guidance is issued and its implications for the Council are evaluated taking into consideration the outcome of our risk assessment procedures. As the Council's financial statements for 2021/22 and 2022/23 were subject to a disclaimer of opinion, it is highly probable that our risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position will conclude that an elevated risk of material misstatement is associated with the reserve balances, because of the way in which they accumulate over successive years.

Responsibilities of management and those charged with governance

The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. The Audit and Risk Committee has an essential role in ensuring that it has assurance over both the quality of the financial statements and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this conditions are not met, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where deemed necessary.
- Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA. We have set out the factors that will lead to a fee variation at Appendix B, together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

2024/25 audit strategy overview (cont'd)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure (including REFCUS)	Fraud Risk	No change in risk or focus	<p>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.</p> <p>We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS).</p>
Risk of error in valuation of property, plant and equipment, specifically other land & buildings and surplus assets	Significant risk	No change in risk or focus	Property, plant and equipment 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 and surplus assets valuations held in the balance sheet.
Risk of error in valuation of Investment Property	Inherent risk	Change in risk focus	<p>The Council's investment property represent a significant balance in the Council's financial statements and is subject to valuation.</p> <p>Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet as they are subject to valuation on an annual basis. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

2024/25 audit strategy overview (cont'd)

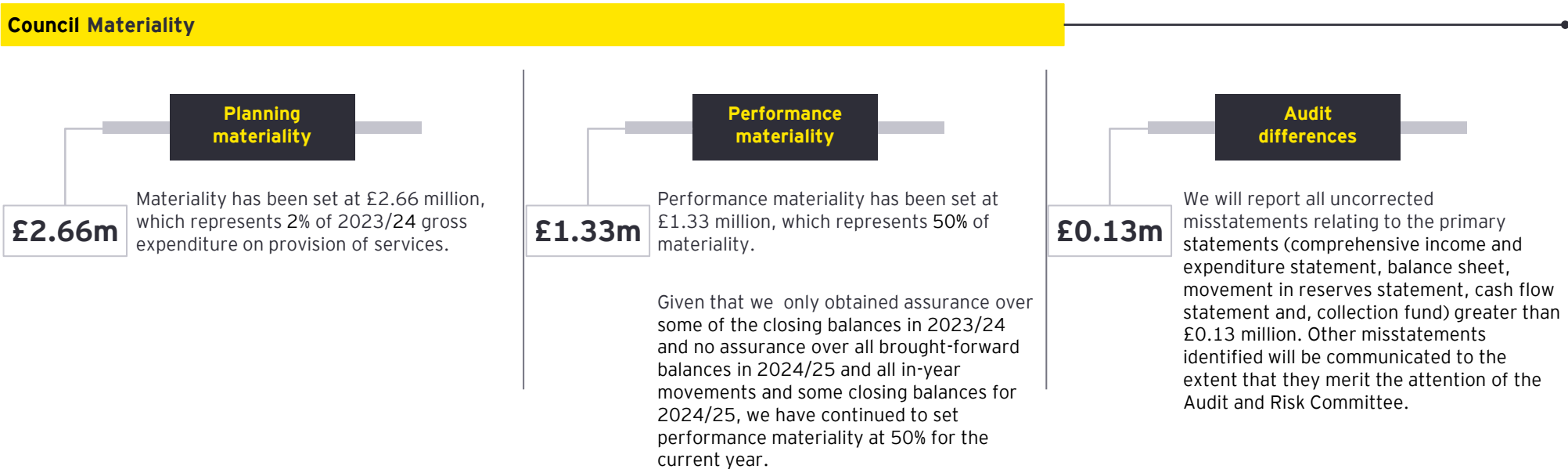
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus (cont'd)

Risk/area of focus	Risk identified	Change from PY	Details
Pension liability valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to disclose its membership in the Local Government Pension Scheme in its financial statements.</p> <p>Due to the significant estimation and judgement involved, an actuary is engaged for calculations. ISAs (UK) 500 and 540 mandate procedures on using management experts and assumptions for fair value estimates.</p>
IFRS 16 Implementation	Inherent risk	New risk	<p>IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. Where the Council is the lessee, these will now be recognised on the Balance Sheet as a 'right of use' asset and a lease liability reflecting the obligation to make lease payments.</p> <p>Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts need to be updated annually based on prevailing indices.</p>

We will continue to keep the Audit and Risk Committee updated on our assessment of any changes to audit risk.

2024/25 audit strategy overview (cont'd)



We will keep the Audit and Risk Committee updated on any changes to materiality levels as the audit progresses.

2024/25 audit strategy overview (cont'd)

Audit scope

This Audit Planning Report covers the work that we plan to perform to provide you with:

- our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2025 and of the income and expenditure for the year then ended; and
- our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on the value for money arrangements in Section 3.

We also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the required mandatory procedures in accordance with applicable laws and auditing standards.

When planning the audit we consider several key inputs:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all the above.

By considering these inputs, our audit is focused on the areas that matter, and our feedback is more likely to be relevant.

Considering the above, our professional duties require us to independently assess audit risks and take appropriate actions. The Terms of Appointment with the PSAA permit fee adjustments based on 'the auditor's assessment of risk and the work needed to meet their professional responsibilities'. Therefore, we outline these risks in this audit planning report and will discuss any impact on the proposed scale fee with management.

2024/25 audit strategy overview (cont'd)

Audit scope (cont'd)

Effects of climate-related matters on financial statements

Public interest in climate change is growing. We recognize that climate-related risks may span a long timeframe, and while these risks exist, their impact on the current financial statements may not be immediately significant. However, it remains essential to understand these risks to conduct a proper evaluation. Additionally, comprehending climate-related risks may be pertinent in the context of qualitative disclosures in the notes to the financial statements and in assessing value-for-money arrangements.

We inquire about climate-related risks during every audit as part of our understanding of the Council and its environment. As we continually re-evaluate our risk assessments throughout the audit, we consider the information obtained to help us assess the level of inherent risk.

Audit scope and approach

We plan to adopt a substantive audit approach.

2024/25 audit strategy overview (cont'd)

Value for Money

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

The value for money planning and related risk assessment aims to collect enough evidence to document our evaluation of the Council's arrangements, allowing us to prepare a commentary based on three reporting criteria. This process includes identifying and reporting any significant weaknesses in those arrangements and making suitable recommendations.

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

- Financial sustainability – How the 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.
- 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.

Commentary on value for money arrangements will be included in the 2024/25 Auditor's Annual Report. This will need to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Timeline


An audit timetable has been agreed with management. In Section 07 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.



Presumptive risk of management override of controls*

What is the risk?

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 will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Discussing 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).
- Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertake procedures to identify significant unusual transactions.
- Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks (cont'd)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure (including REFCUS) *

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) and Investment Property (IP) additions and REFCUS in the financial statements.

What is the risk?

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.

What will we do?

- Test Property, Plant and Equipment (PPE) and Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Consider whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks (cont'd)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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

Financial statement impact

We considered that the level of estimation uncertainty and complexity is higher on land and building valuations. The net book value of these properties as at 31 March 2024 are as follows:

- ▶ Other land & buildings - £165.46 million
- ▶ Surplus assets - £8.79 million

What is the risk?

Property, plant and equipment 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 will we do?

- ▶ Consider 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;
- ▶ Assess the classification of assets and the valuation basis that are assigned as a result to confirm they are appropriate;
- ▶ Review and sample test any material increases or impairments that arise during the year;
- ▶ Group the assets revalued during the year into types, depending on the nature and valuation basis. Select 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. For the assets sampled we will:
 - Assess the appropriateness of the methodology used by the valuer;
 - Test the material accuracy of key inputs used by the valuers in performing their valuation, such as floor plans and land areas
 - Assess the reasonableness of the key assumptions used in the valuations, such as yield rates, obsolescence;
 - Investigate any significant variations between our estimates and the values determined by the value;
- ▶ Where we identify assets that involve more complex specialist judgements, we will consider the need to engage our EY valuers to support the audit team in the above assessment:
- ▶ Review 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;
- ▶ Review assets that are not subject to valuation in 2024/25 to confirm the remaining asset base is not materially misstated; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters, we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Risk of error in valuation of Investment Property

The Council's investment property represent a significant balance in the Council's financial statements, with the total balance at 31 March 2024 being £54.09 million.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet as they are subject to valuation on an annual basis. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Review of the Council assessment of valuations carried out to assess the material accuracy of the values reported.
- Test accounting entries have been correctly processed in the financial statements.
- Consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area.

Financial statement impact

Incorrect valuations from the incorrect application of methodologies or use of inappropriate assumptions and estimations would lead to an under or overstatement of asset values on the balance sheet

Other areas of audit focus (cont'd)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters, we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Pension liability valuation

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

The Council's pension fund deficit is a material estimated balance, and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024 this totalled £5.312 million.

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: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assess the work of the pension fund actuary 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 any relevant reviews by the EY actuarial team;
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the material accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus (cont'd)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

IFRS 16 Implementation

- IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.
- IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee, these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.
- Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

Financial statement impact

- Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.
- Lease liabilities and right of use assets will be subject to more frequent remeasurement.
- Other amendments have been made to the CIPFA Code to expand the definition of donated assets to include right-of-use assets and on accounting for leases provided at below market rate, including peppercorn and nil consideration.

What will we do?

- Gain an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Review the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Review management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gain assurance over the right of use asset included in the 2024/25 financial statements
- Sample test leases to ensure that transition arrangements have been correctly applied.
- Consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.



03 Value for Money risks

Value for Money

Council's responsibilities for value for money

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.

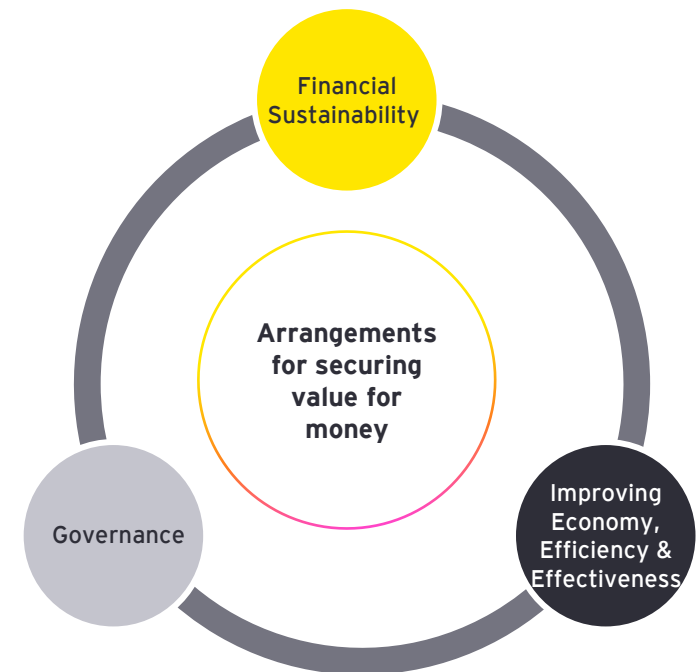
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the 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.
- 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.



Value for Money (cont'd)

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- The governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem as necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the council to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the council's reputation or unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

Responding to identified risks of significant weakness

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit and Risk Committee.

Value for Money (cont'd)

Reporting on VFM

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's awareness. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2024/25 Auditor's Annual Report requires to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Status of our 2024/25 VFM planning

We have yet to complete our detailed value for money planning. However, one area of focus will likely be on the Council's financial sustainability arrangements. We will update the next Audit and Risk Committee meeting on the outcome of our value for money planning and our planned response to any additional identified risks of significant weaknesses in arrangements.

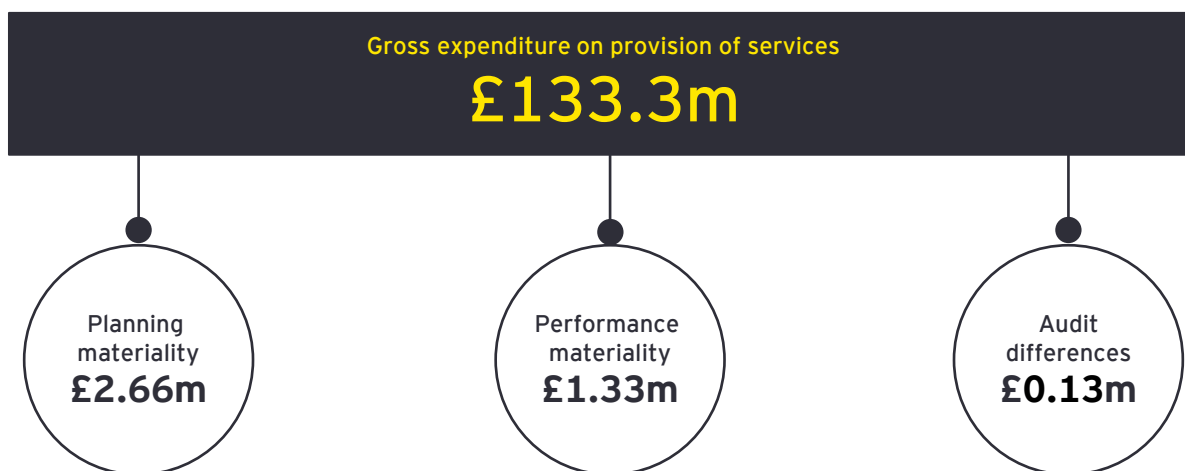


04 Audit materiality

Materiality

Council materiality

For planning purposes, planning materiality for 2024 has been set at £2.66 million. This represents 2% of the Council's 2023/24 gross expenditure on provision of services. It will be reassessed throughout the audit process. We consider that the focus from interested parties will be on how income is spent and therefore our judgement is that gross expenditure is the most appropriate measurement basis for materiality.



We will keep the Audit and Risk Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit and Risk Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.33 million which represents 50% of materiality. Given that we only obtained assurance over some of the closing balances in 2023/24 and no assurance over all brought-forward balances in 2024/25 and all in-year movements and some closing balances for 2024/25, we set performance materiality to 50% for the current year.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Risk Committee or are important from a qualitative perspective.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the group and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy (cont'd)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of other auditors where appropriate;
- Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use a data driven approach to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06 Audit team

Audit team



Use of specialists

Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations team - if required
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group’s business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist’s findings are properly reflected in the financial statements

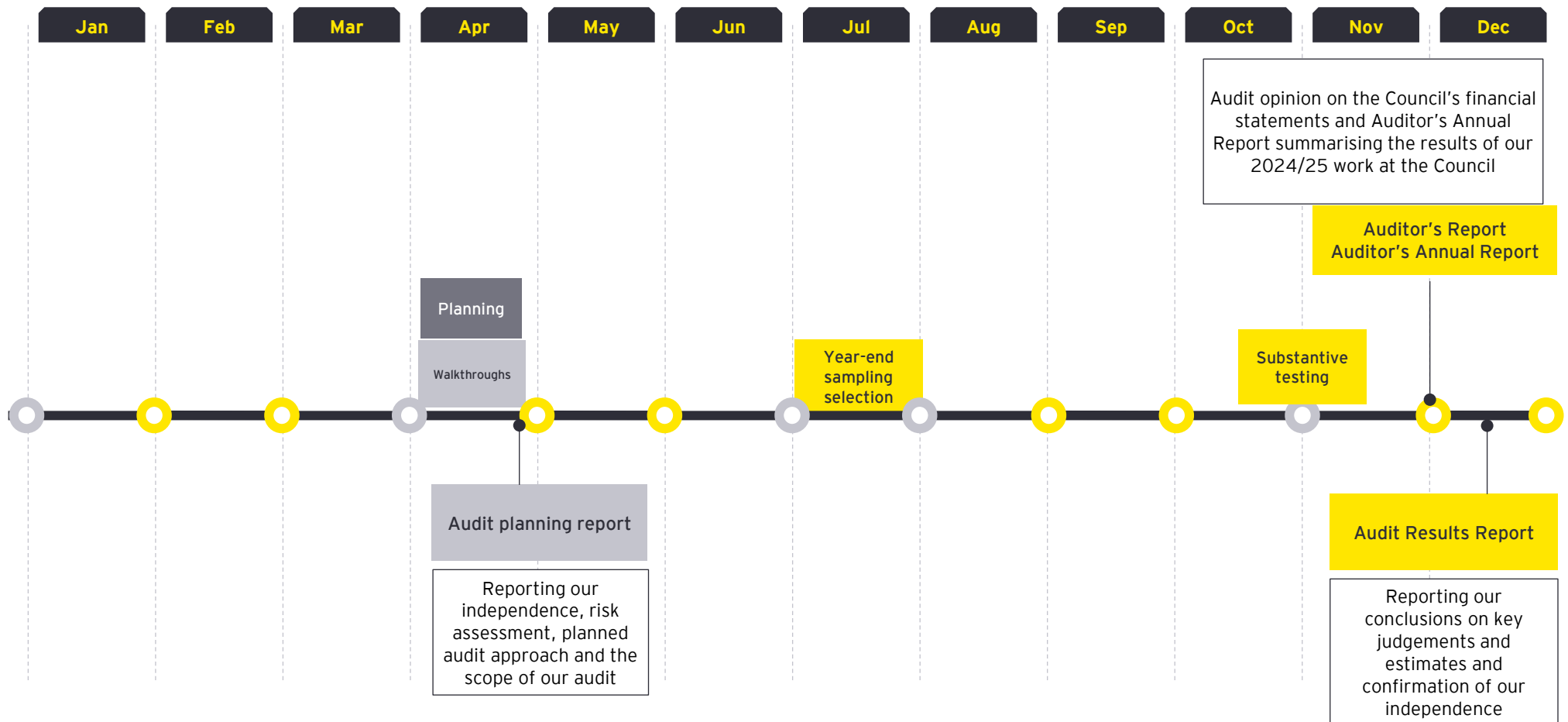


07 Audit timeline

Timetable of communication and deliverables

Provisional Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the 2024/25 audit cycle. From time to time matters may arise that require immediate communication with the Audit and Risk Committee, and we will discuss them with the Audit and Risk Committee Chair as appropriate.





08 Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence
- The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a 'pre-approval' to provide the service).
- All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: **EY UK 2024 Transparency Report**.



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that 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 which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – 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.

The agreed fee presented is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ our financial statement opinion and value for money conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council;
- ▶ an effective control environment; and
- ▶ compliance 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 which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Current Year 2024/25	Prior Year 2023/24
	£	£
Total Fee – Code Work	181,856	166,466
Other - variations to scale fee	TBC (Note 2)	62,513 (Note 1)
Non-audit service (Housing benefit certification) (Note 3)	TBC	TBC
Total fees	TBC	TBC

All fees exclude VAT

Notes:

1. As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by MHCLG, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit. We have submitted our scale fee variation to PSAA for their determination, covering the following areas:
 - ISA 315 - £9,425
 - IFRS 16 - £5,994
 - VFM significant risk - £5,160
 - Work of internal experts (EY Real Estates and EY Pensions) - £26,882
 - Work to support the disclaimer opinion including internal consultations - £6,974
 - Issues relating to obtaining transaction listings and working papers - £8,078
2. The scale fee may be impacted by a range of other factors which will result in additional work, which include but are not limited to:
 - Consideration of correspondence from the public and formal objections.
 - New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
 - Non-compliance with law and regulation with an impact on the financial statements.
 - VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
 - The need to exercise auditor statutory powers.
 - Prior period adjustments.
 - Modified financial statement opinions
3. Our work on the certification of the Council's Housing Benefit claim will be billed on completion and will be impacted by the level of errors identified and resulting additional testing.

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▪ 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 <p>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</p>	Audit planning report - April 2025
Significant findings from the audit	<ul style="list-style-type: none"> ▪ 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 (delete if not an initial audit) 	Audit results report - November 2025

Appendix C – Required communications with the Audit and Risk Committee(cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▪ Whether the events or conditions constitute a material uncertainty ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The adequacy of related disclosures in the financial statements 	Audit results report - November 2025
Misstatements	<ul style="list-style-type: none"> ▪ 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 - November 2025
Fraud	<ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> 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 - November 2025

Appendix C – Required communications with the Audit and Risk Committee(cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▪ 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 - November 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▪ 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 <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report - April 2025</p> <p>Audit results report - November 2025</p>
External confirmations	<ul style="list-style-type: none"> ▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - November 2025
Consideration of laws and regulations	<ul style="list-style-type: none"> ▪ 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 - November 2025
Internal controls	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit 	Audit results report - November 2025

Appendix C – Required communications with the Audit and Risk Committee(cont'd)

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

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

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