London Borough of Redbridge
Audit results report

Year ended 31 March 2024

26 February 2025

Building a better working world

Governance and Assurance Committee Members
London Borough of Redbridge
Lynton House
259 High Rd
Ilford IG1 1NY

26 February 2025

Dear Governance and Assurance Committee Members

2023/24 Final Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit.

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

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

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

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

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

As reported in our Audit Completion Report issued on 20 November 2024, we issued disclaimed audit reports on the Council's financial statements for 2022/23 and 2021/22 under the arrangements to reset and recover local government audit.

We have completed limited work to rebuild assurance ahead of the 2023/24 backstop date, therefore we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date of 28 February 2025, the lack of evidence over these movements and balances means we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

We draw the attention of Governance and Assurance Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix C).

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

Yours faithfully

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

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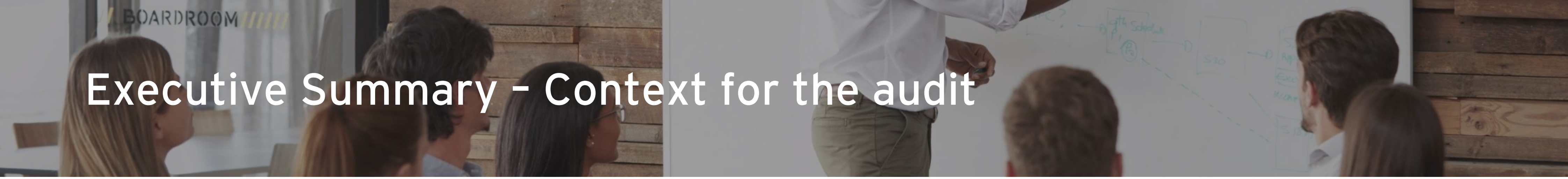
Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits). 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 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 **Governance and Assurance Committee and management of London Borough of Redbridge** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the **Governance and Assurance Committee and management of London Borough of Redbridge** 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 **Governance and Assurance Committee and management of London Borough of Redbridge** for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary



Executive Summary – Context for the audit

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

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

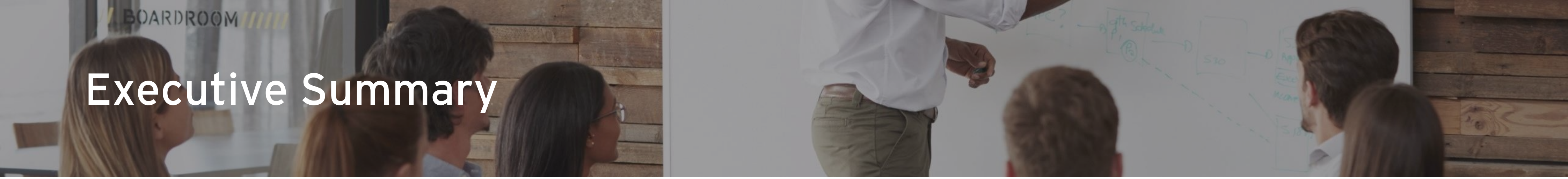
- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent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

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

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our Audit Completion Report to the Governance and Assurance Committee, dated 12 November 2024, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under these arrangements to reset and recover local government audit.

We have completed limited work to rebuild assurance ahead of the 2023/24 backstop date, therefore we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date of 28 February 2025, the lack of evidence over these movements and balances means we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.



Executive Summary

Scope update

In our Audit Planning Report presented at the 15 July 2024 Governance and Assurance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

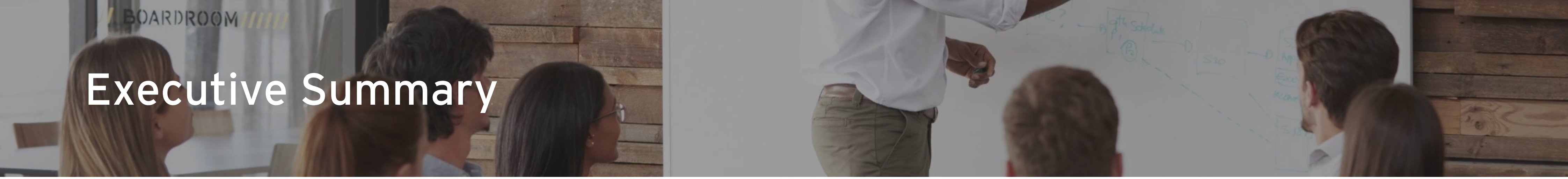
- Changes in materiality: We updated our planning materiality assessment using the draft statement of accounts and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure, we have updated our overall materiality assessment to £10 million (Audit Planning Report – £9.8 million). This results in updated performance materiality, at 50% of overall materiality, of £5 million, and an updated threshold for reporting misstatements of £0.5 million.

Status of the audit

In our Provisional Audit Results Report presented at the 5 December 2024 Governance and Assurance Committee meeting, we reported that we had not been able to complete our planned procedures for the audit of property, plant and equipment and other capital assets because of the matters set out in the 'Status of the audit' section of this report, below.

In addition to this, we have also encountered difficulty in concluding a number of other audit procedures that we reported as outstanding as of December 2024 due to a combination of insufficient evidence being provided by the Council and limitations of some Council systems when downloading supporting analysis of general ledger balances. Due to the implementation of the backstop date of 28 February 2025 for the completion of the audit, we agreed with management that both Council and audit resources would be prioritised on those areas which contribute the most towards the rebuilding of assurance.

The performance of our audit procedures in relation to prioritised financial statement account areas is substantially complete. Further details on the status of the areas of the financial statements and the level of assurance we have been able to obtain is set out in Appendix A.



Executive Summary

Status of the audit

Due to significant delays by officers in providing some working papers and preparation issues noted in our initial review of officer prepared schedules relating to property, plant and equipment and other capital assets, we have not been able to complete our planned procedures in this area. We have agreed with management that audit of these accounts will not be completed for 2023/24 as the Council was not ready for audit in these areas.

Some of the challenges identified include:

- Council dwellings valuation: The initial working papers supplied by management had a £16 million difference between the valuation and the balance within the draft financial statements. Review of the initial beacons identified that a number of beacons had more than one value which is not in line with the guidance for the beacon approach to valuation which requires that a sample property, "the beacon", is selected which is representative of the group, and a detailed inspection and valuation carried out. We also noted that not all properties were allocated to a beacon, and some newly purchased council houses were valued at Market Value and not EUV-social housing as required by the CIPFA Code.
- PPE valued using EUV approach: Our initial review of the valuations identified that parts of some assets had been omitted from the calculation thereby understating the overall balance of such assets. During detailed testing, we requested information supporting the inputs and assumptions used in the valuation such as financial data, yield rate, size of the asset. However, the valuer/management has not been able to provide sufficient responses on a timely basis.
- PPE classification: There were also incorrect classification of assets within PPE such as playing fields being included in other land and buildings instead of community assets, and inclusion of HRA development sites as other land and buildings instead of assets under construction.
- Investment properties: The values of the two assets selected as samples are outside the range determined by our EY Real Estates team due to a difference in yield rates used in the valuation.
- PPE additions: There are samples selected that do not meet the requirements of capitalised costs under IAS 16. This issue were also reported in 2020/21 audit.

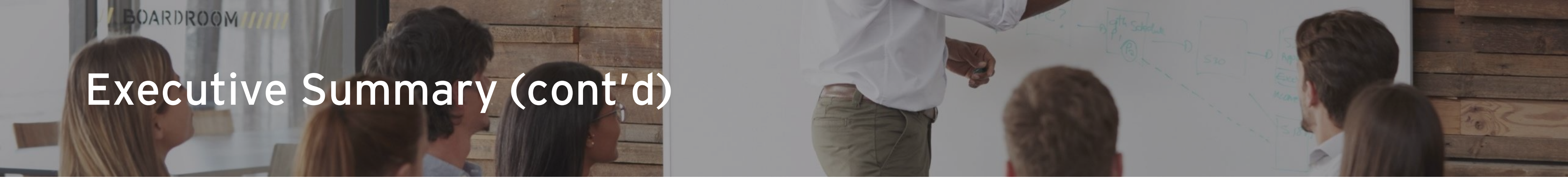
Throughout the audit we liaised with management to raise the differences and issues arising, provided an update which has also been discussed and agreed with the capital and property team, including in respect of what requests remained outstanding. Despite starting our work in this area ahead of the rest of the audit we encountered severe delays in receiving the information required from the capital team. On 1 October, we sent to management a final list of deliverables, some of which had been outstanding since July, detailing the information we needed in order to progress our work. We emphasised the importance of the quality of the working papers required; that they provide a clear trail from the financial statements to underlying detailed records, and answer the question posed in a manner that allows a conclusion to be reached. We asked that management provide the information ready for us by 7 October and allocated additional resource in this area.

While some of the information requested was received, it was not within the agreed timescales nor to the required quality. In discussion with the section 151 officer and the finance team it was agreed that PPE was not ready for audit and our audit time and focus should be moved to other areas of the financial statements, representing a management limitation of scope.

Despite repeated assurances from management that these matters were addressed, these are similar matters which were formally reported as part of our 2020/21 audit and caused significant delays to the finalisation of those financial statements, These matters now require urgent attention with a comprehensive improvement plan implemented. This should be subject to regular review and consideration by the Governance and Audit Committee. As part of the 2024/25 audit, we will assess the progress made by the Council and if, in our view, there is insufficient progress we will consider exercising our statutory powers and making statutory recommendations, which will be copied to the Secretary of State.

Further details of the issues noted can be found in Sections 2, 3 and 5.

We also encountered difficulty in concluding our audit procedures over creditors, capital additions, other income and other expenditure due to insufficient evidence being provided by the Council, weaknesses in supporting analysis of material balances in the general ledger due to limitations of the accounts payable system and reprioritisation of areas due to the implementation of the backstop date of 28 February 2025. A summary of the assurances we have gained from our 2023/24 audit procedures, along with those areas where we have not been able to gain the planned assurance, is set out at Appendix A.



Executive Summary (cont'd)

Value for Money

In our Audit Planning Report (dated 1 July 2024), we reported that we had not completed our value for money (VFM) risk assessment but that we would be monitoring the implementation of recommendations made in the interim VFM report for 2021/22 and 2022/23. Our risk assessment procedures are now complete, and we have identified two risks of significant weakness in arrangements:

- **Financial sustainability:** Material overspends projected for 2024/25 and an increasing budget gap for 2025/26. No significant weaknesses in arrangements identified for 2023/24; and
- **Governance:** Ineffective capital and general ledger systems and lack of processes in place to allow timely preparation of reports that support an efficient financial statement close process. Our work to address this risk is complete, we concluded that issues identified and documented within this report represent a significant weakness in governance arrangements and our audit report will be modified accordingly.

See Section 3 of the report for further details.

Audit differences

We have identified over 50 numerical, accounting and presentational differences in the draft financial statements presented for audit at the date of this report, whilst none impacted the overall net cost of services, the most material of these are detailed below:

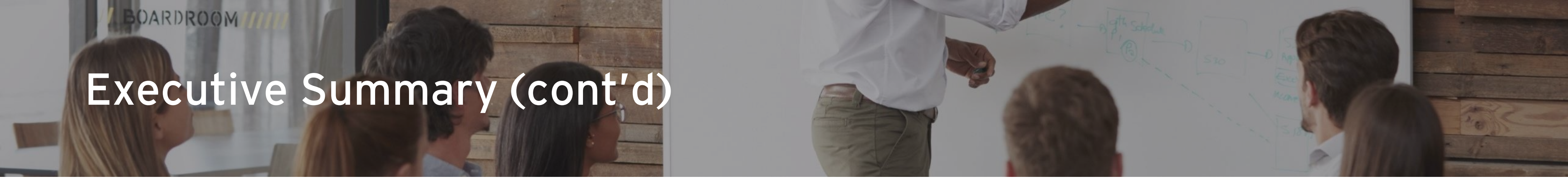
Corrected misstatements

- Management have corrected misstatements which:
    - decrease total current assets and current liabilities by £6.267 million; and
    - increase gross expenditure and gross income by £17.936 million.
- Disclosure misstatements (corrected by management):
    - Note 25 in relation to the grant income from the Department of Health Social Care & ICB – by £3.7 million to £38.8 million, Other miscellaneous grants by £5.9 million to £29.6 million. The total has also been amended by £9.6 million to £522.230 million;
    - Note 27 in relation to future minimum lease payments due under non-cancellable leases in future years should be £63 million as of the end of 2023/24 instead of £20 million per the note; and
    - Note 32 (Officers' remuneration) did not include names for officers whose salary is more than £150,000 which is not compliant with the CIPFA Code.
- Management has also corrected a number of casting and consistency errors identified in the draft financial statements.

Uncorrected misstatements

A number of factual, projected and judgmental misstatements have not been corrected by management. The net impact of these errors is £4.907 million understatement of the net deficit on the provision of services, £0.644 million overstatement of total assets and £2.015 million understatement of total liabilities.

See Section 5 of this report for further details.



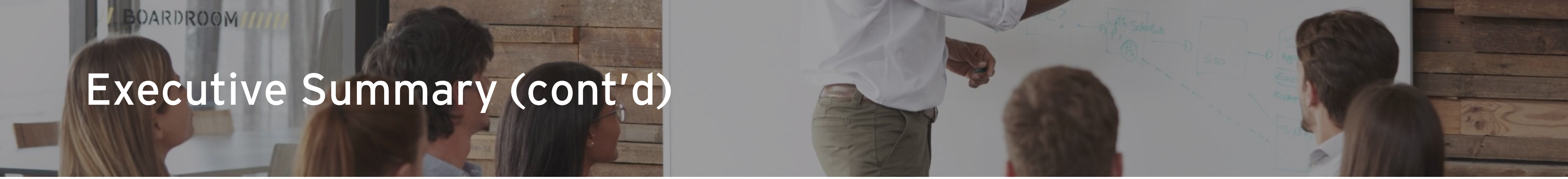
Executive Summary (cont'd)

Other Reporting Issues

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

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA). The Council is not above the HM Treasury's threshold for WGA reporting so only limited procedures are required.

There is an open area of potential non-compliance with laws and regulations; we have been unable to complete sufficient audit work in the time available since provision of relevant information from management to determine whether there is a material impact on the financial statements. We have reported this matter in our audit opinion. We anticipate making additional recommendations in this area. A the time of preparing this report we have made a recommendation in Section 6 regarding good practice in the transparency of management sharing information to allow us to conclude on the impact of the matter.



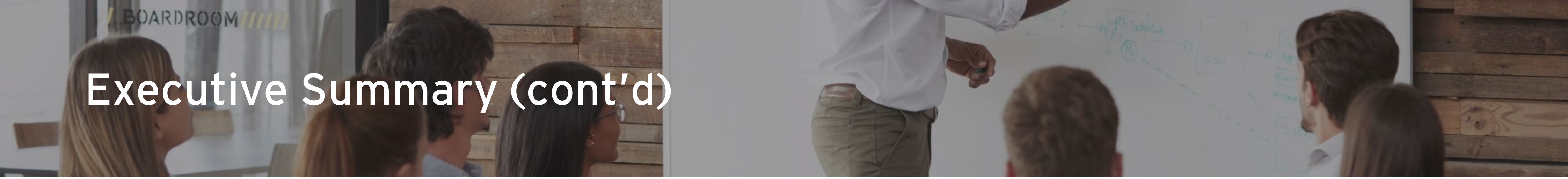
Executive Summary (cont'd)

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial statements of London Borough of Redbridge. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below. Where applicable we have identified those matters that we consider to be key audit matters. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit. In accordance with ISA (UK) 701 key audit matters are included in our auditor's report.

See more details in Section 2.

Focus Area	Risk	Progress update
Misstatement due to fraud or error	Fraud risk Significant risk	▸ Our testing of journals and other adjustments in the preparation of the financial statements identified a number of errors resulting in understatement of income and expenditure. Management agreed to amend the financial statements in relation to the errors that were identified. ▸ Note that we were not able to complete the testing on a number of planned audit procedures due to the issues discussed in Section 1 of this report. The details of the work we completed are summarised in Appendix 1. For the areas of work we have undertaken, we did not identify any unusual transactions, nor management bias in the estimates reviewed. However, considering that we were not able to complete the planned procedures around significant accounts set out in appendix A, in particular in relation to those required to address the risk of inappropriate capitalisation of revenue expenditure, we were not able to obtain full assurance over this area.
Inappropriate capitalisation of revenue expenditure	Fraud risk Significant risk Key audit matter	▸ Our work identified capitalised infrastructure assets that were revenue in nature and did not meet the capitalisation requirements of IAS 16. We have raised this as an unadjusted projected misstatement within Section 5 of this report. ▸ Due to insufficient evidence being provided by the Council, and therefore the reprioritisation of areas due to the implementation of the backstop date of 28 February 2025, we were not able to complete the planned audit procedures for capital additions.
Valuation of Investment Property	Significant risk Key audit matter	▸ We assessed this area as not being ready for audit. See more details on page 16 and a summary of the impact on the control environment detailed within Section 6.
Valuation of Property, Plant & Equipment (PPE) – Land & buildings	Significant risk Key audit matter	▸ We assessed this area as not being ready for audit. See more details on page 17 and a summary of the impact on the control environment detailed within Section 6.
Pension Liability Valuation	Inherent risk	▸ Our work in this area is now complete. We noted an overstatement in pension liabilities of £2.223 million due to a timing difference in the fund assets from the report from the actuary, on which management based its financial statements, and the amount the pension fund auditor reported to us. We recorded this in the summary of audit differences which management has chosen not to correct on the basis of materiality. No other issues are noted in this area.
Going Concern	Inherent risk	▸ We completed our initial review of the revised disclosure on going concern with an assessment until 31 March 2026. We found the figures in the disclosure to be consistent with the financial statements. Considering that we are issuing a disclaimer of opinion no further procedures have been performed.



Executive Summary (cont'd)

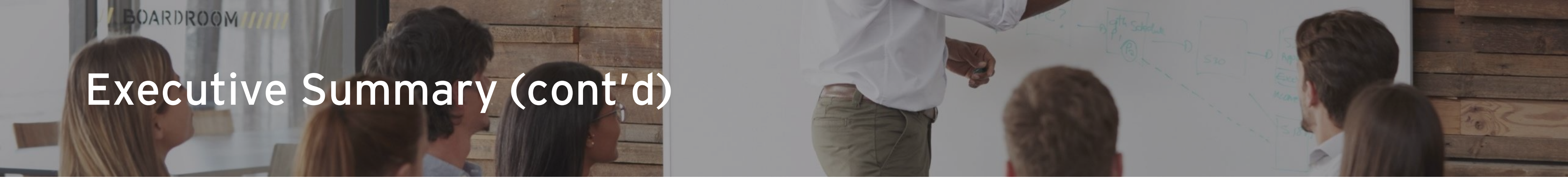
Areas of audit focus (cont'd)

Focus Area	Risk	Progress update
IFRS 16 Leases	Area of focus	▸ We have completed our planned procedures in this area. ▸ We found the preparation activities the Council has undertaken are not unreasonable given the size and nature of the Council. Our work did identify an adjustment to the disclosure which management has agreed to amend.
Infrastructure assets	Area of focus	▸ We have completed our planned procedures and are content that infrastructure assets are accounted for correctly in accordance with the temporary relief for infrastructure asset accounting effective in the CIPFA Code for 2023/24. The Council is taking steps to ensure they have the records for when the temporary relief has ended.
Change in systems used for social care	Area of focus	▸ The work in this area is complete and we have not identified any deficiencies in our review of the arrangements around migration to the new systems.
Group financial statements	Area of focus	▸ We have completed our work in this area. We found management's assessment that preparation of group accounts is not required to be reasonable.

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

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

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



Executive Summary (cont’d)

Control observations

During the audit, we identified the following significant weaknesses in the Council’s processes for the production of the financial statements, specifically:

- The Council’s maintenance of underlying records in relation to property, plant and equipment and other capital assets due to failure to use an appropriate capital system, and not having sufficient controls around preparation and quality control processes;
- The significant amount of manual intervention that is required to prepare the financial statements, in particular the number of manual adjustments the finance team is required to make to the balances downloaded from the Council’s financial information system. This leads to longer lead times in preparation of the financial statements and makes them more susceptible to error; and
- The accounts payable system does not generate a list of open items once the date has passed, therefore, management was not able to provide sufficient detailed analysis of the general ledger control accounts totalling £7.134 million.

We also identified a number of observations and improvement recommendations in relation to management’s financial processes and controls.

More detail is included within section 6 of this report.

Independence

Please refer to Section 8 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatement due to fraud or error
(Fraud risk, significant risk)

Significant Risk | Fraud Risk

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.

Our response to the key areas of challenge and professional judgement

We have:

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

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.

What is the status of our work?

Based on the work performed to date, we have noted an error in posting schools journals where an adjustment was posted as credit to expenditure instead of credit to income. This resulted in the following errors:

- schools journal posting to debtors was erroneously credited to expenditure instead of income resulting in understatement of income and expenditure by £3.67 million
- income allocation journals were debited to expenditure instead of income resulting in overstatement of expenditure and income of £3.25 million.

Furthermore, our review of the manual adjustments made to ledger balances in the preparation of the financial statements highlighted errors which resulted in a net understatement of income and expenditure by £13.67 million. Management has agreed to correct these errors.

Note that we were not able to complete the testing on a number of planned audit procedures due to the issues discussed in Section 1 of this report. The details of the work we completed are summarised in Appendix 1. For the areas of work we have undertaken, we did not identify any unusual transactions, nor management bias in the estimates reviewed. However, considering that we were not able to complete the planned procedures around significant accounts set out in appendix A, in particular in relation to those required to address the risk of inappropriate capitalisation of revenue expenditure, we were not able to obtain full assurance over this area.

Areas of Audit Focus (cont'd)

Inappropriate capitalisation of revenue expenditure (Fraud risk, significant risk, key audit matter)

Key Audit Matter | Significant Risk

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

We 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) / Investment Property (IP) additions and/or REFCUS in the financial statements.

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

- Test Property, Plant and Equipment (PPE) / 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 like 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 capitalise 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. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- 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.

What is the status of our work?

Our testing of additions with respect to infrastructure assets is complete, this testing identified £43,000 out of £267,000 (16 samples out of 31) of infrastructure capital additions which did not meet the capitalisation requirements of IAS 16 and would be revenue in nature due to the work being of a minor nature, for example fixing a pothole. We reviewed the list of additions considering the testing undertaken and our knowledge to form an approximation of the quantum of infrastructure additions that were not capital in nature. The estimated error was calculated to be £1.37 million. This has been included as a judgemental misstatement within Section 5 of this report.

We have completed the test of REFCUS with no errors identified.

We have also selected journal entries that transfer expenditure from revenue codes to capital codes at the end of the year. We did not identify errors in journals specific to PPE.

However, for the remainder of capital additions, we were unable to complete the planned procedures due to a combination of insufficient evidence being provided by the Council and the need to reprioritise other areas of the financial statements audit following the implementation of the backstop date of 28 February 2025. Within the samples selected for testing, we noted a number of transactions that appear to be revenue in nature based on initial investigation, and transactions that had insufficient evidence provided by management to form a judgement. We would ordinarily perform additional testing of the population to provide more information on a projected level of error within the population, however for the reasons set out in Section 1 we have not been able to complete these procedures. Therefore, no projected misstatement is included in our reporting on this matter.

Areas of Audit Focus (cont'd)

Valuation of Investment Property (Significant risk, key audit matter)

Key Audit Matter | Significant Risk

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

The Council's investment properties represent a significant balance in the Council's financial statements, with the total balance at 31 March 2024 being £101.8 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.

In 2023/24, the Council changed their valuer from Wilks, Head and Eve to an in-house valuer.

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

- 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).
- We will also considered 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.

What is our conclusion?

We obtained the valuation instructions issued to the valuer and assessed the scope of work to be adequate. The valuers are members of Royal Institution of Chartered Surveyors, hence, expected to have the professional capabilities to perform the valuation exercise.

We performed an analysis of the assets comprising the investment properties balance as of year-end and selected two assets for test of valuations, both of which were sent to EY Real Estates for review. EY Real Estates concluded that the values determined by the valuer are overstated by £0.23 million and £5.07 million respectively.

Due to the issues noted on page 8 of this report, namely the significant delays in providing working papers, and material differences noted between initial working papers supplied and the financial statements, we concluded that the Council were not ready for audit in this area and it was not possible to complete our testing.

We did not extend testing on investment properties to assess the overall impact of the differences identified in the two samples above.

See further details and subsequent recommendations in Section 6 of this report.

Areas of Audit Focus (cont'd)

Valuation of Property, Plant & Equipment (PPE) – Land & buildings (Significant risk, key audit matter)

Key Audit Matter | Significant Risk

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

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. 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 testing in prior years identified some significant weaknesses in the Council's processes for the maintenance of its fixed asset register as well as errors in the valuation of a number of assets.

Similar to the previous section, this risk is also impacted by the change in valuer from Wilks, Head and Eve to an in-house valuer.

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

- 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 the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated; Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.
- We will continue to consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Real Estates.

What is the status of our work?

We obtained the valuation instructions issued to the valuer and assessed the scope of work to be adequate. The valuers are members of Royal Institution of Chartered Surveyors, hence, expected to have the professional capabilities to perform the valuation exercise.

We performed an analysis of the assets revalued during the year, stratifying the population into assets valued at Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and Fair Value (FV). We further disaggregated the assets valued at DRC into 'Schools' and 'Others', and EUV into 'Hostels', 'Surplus assets' and 'Others'. We selected 11 samples of schools and 7 samples of DRC for valuation testing. We noted no material differences on these areas.

For the remaining categories of other land and buildings, it has not been possible to complete our testing as appropriate support and explanations have not been supplied by management. We have also not been able to review the accounting entries processed in the financial statements to account for movements in value since we do not have assurance over the closing balances of the assets.

Due to the issues noted on page 8 of this report, we concluded that the Council were not ready for audit in this area and it was not possible to complete our testing.

See further details and subsequent recommendations in Section 6 of this report.

Areas of Audit Focus (cont'd)

Pension Liability Valuation (Inherent risk)

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

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures 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 2023 this totalled £157 million.

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

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

- Liaise with the auditors of Redbridge 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, Hymans Robertson, 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.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- 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 accuracy of estimated information included in the financial statements and whether any adjustments are required.

What is the status of our work?

Our work in this area is now complete. We noted an overstatement in pension liabilities of £2.223 million due to a timing difference in the fund assets from the report from the actuary, on which management based its financial statements, and the amount reported to us by the pension fund auditor. We recorded this in the summary of audit differences which management has chosen not to correct on the basis of materiality. No other issues noted in this area.

We found that all assumptions used by the actuary are supportable based on the report from PwC – Consulting Actuaries.

We also engaged our EY Pensions team to perform a roll forward of pension liability balance from 2020/21 to 2023/24 using the assumptions from the IAS 19 report which PWC found to be supportable. EY Pensions found no material differences between their calculation and the management specialist (Hymans Robertson).

We have reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

We have no other matters to report at the current time.

Areas of Audit Focus (cont'd)

Going Concern (Inherent risk)

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

The financial landscape for local government and the Council remains challenging and the Council will need to undertake a going concern assessment covering a period of at least 12 months from the expected date of final authorisation of the audited financial statements.

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

- Review your going concern disclosures within the financial statements under IAS1 and associated financial viability disclosures within the Narrative Statement. We also consider whether you have included necessary disclosures regarding any material uncertainties that may exist.
- We will consider whether the disclosures also include details of the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions.

What is the status of our work?

The original disclosure in the draft financial statements were based on a cashflow forecast until March 2025, management has provided us with revised going concern disclosures with an assessment until 31 March 2026. We have completed our initial review of the revised disclosure on going concern and found the figures in the disclosure to be consistent with the rest of the financial statements. Given that we are issuing a disclaimer of opinion on the 2023/24 financial statements, no further procedures were performed.

Areas of Audit Focus (cont'd)

IFRS 16 Leases (Area of focus)

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

CIPFA confirmed there will be no further delay of the introduction of the leases standard IFRS 16. Assets being used by the Council 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. The standard must be adopted by 1 April 2024 at the latest.

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

- Review the 2023/24 Statement of Accounts to ensure that the required disclosure is accurate.
- Assess the Council's preparedness to implement the IFRS 16 and record keeping in this regard.

What is the status of our work?

We have completed our planned procedures in this area.

We have obtained the Council's workings to support the figure disclosed in the 2023/24 financial statements regarding the potential impact of implementation of IFRS 16.

Review of the calculations identified that in performing the calculation of the Lease Liability / Right of Use Asset to be brought onto the Balance Sheet as at 1 April 2024, an incorrect Minimum Lease Payment Value was utilised. The value disclosed in the financial statements was restated from £93.5 million to £96.6 million and has been corrected by management

We also assessed the Council's preparedness for the full implementation of IFRS 16 as reasonable given the size and nature of the organisation and confirmed that they are capable of identifying all of the arrangements that require consideration and inclusion within the 2024/25 financial statements.

However, there are number of areas where activities are ongoing that will require finalisation prior to the preparation of the 2024/25 financial statements.

Areas of Audit Focus (cont’d)

Infrastructure assets (Area of focus)

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

In March 2022, an issue was raised with the National Audit Office’s Local Government technical network in relation to the accounting for infrastructure assets that local authorities are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned.

CIPFA issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on net basis, the statutory instrument relates to financial year beginning on before 1 April 2024.

We have identified this as an area of focus to assess the established arrangements in place to maintain infrastructure records at individual asset level.

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

- Consider whether the local authority has established arrangements to maintain infrastructure asset records at the individual asset level.

What is the status of our work?

We have completed our planned procedures and are content that infrastructure assets are accounted for correctly in accordance with the temporary relief for infrastructure asset accounting effective in the CIPFA Code for 2023/24. We have performed procedures to review the in-year movements in infrastructure assets. Our testing confirmed that the annual depreciation charge of £8.68 million was not materially misstated. Our findings regarding in year additions have been reported on page 16.

We have inquired with management on arrangements to maintain infrastructure asset records at the individual asset level and they have confirmed that the records held by the Council are still not sufficient to undertake infrastructure accounting in accordance with the Code requirements, but that the Council is taking steps to ensure they have the records in preparation for when the temporary relief has ended.

Areas of Audit Focus (cont'd)

Change in systems used for social care (Area of focus)

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

The Council implemented new systems for social care in 2023/24. CareFirst and Abacus was used by the Council for their Social Services cases until 14 May 2023. From 15 May 2023, these systems were replaced by LAS and Controcc, respectively.

As the implementation was completed during the 2023/24 financial year, we needed to gain an understanding of both, including the controls over the migration of data. This will include a walkthrough of both systems which will also address the work required under ISA 315

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

- Obtain an understanding of the migration process of the Council from CareFirst and Abacus to LAS and Controcc to ensure that it was complete and accurate;
- Perform a walkthrough of the systems:
    - CareFirst and Abacus from 1 April to 14 May 2023; and
    - LAS and Controcc from 15 May 2023 to 31 March 2024.
- Document our understanding of how data flows from these systems to the general ledger, including the risks and controls involved in the process, in line with ISA 315.

What is the status of our work?

We have completed our planned procedures on this area with no issues arising.

We have obtained an understanding of the arrangements to ensure that the migration of the systems were complete.

We noted from a review of internal audit reports that a third-party service provider was engaged by management as implementation partner – Better Gov. The Internal audit team has also been closely involved in various stages of the implementation from project planning to the system going live. Different recommendations have been reported to the Head of Delivery and have been monitored.

We have performed walkthroughs of both the old and new system as part of our understanding the process and ISA 315 procedures.

Our work in this area is complete and we did not identify any deficiencies in respect of the arrangements around migration to the new system, or their implementation that we are required to bring to your attention.

Areas of Audit Focus (cont'd)

Group financial statements (Area of focus)

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

The Council ceased to produce group financial statements from 2021/22. Management assessed that due to a revised management agreement that was put in place, their control of VRCL was diluted and it was no longer deemed necessary to consolidate the financial statements.

We reviewed the appropriateness of the Council's group boundary assessment in arriving at this decision.

Our response to the key areas of challenge and professional judgement

Our planned procedures are noted below:

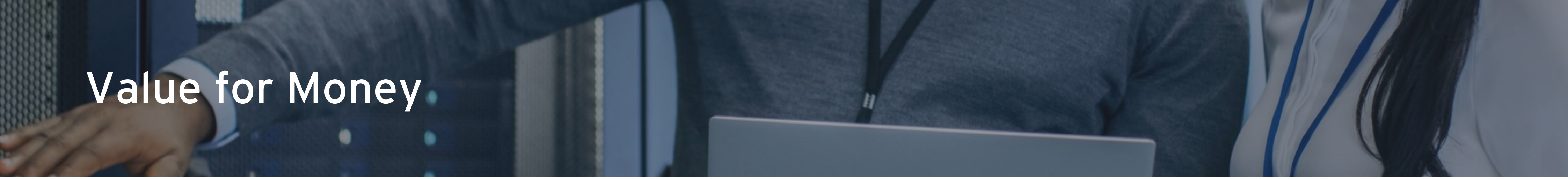
- Obtain the group boundary assessment from management; and
- Review the appropriateness of the Council's assessment in arriving at this decision.
    - We have obtained management's group boundary assessment and reviewed the basis of management in concluding that the entities are not material or that there is no control over the entity to require the preparation of group financial statements. We corroborated management's assessment by reviewing articles of association, confirmation statement and statement of accounts of the entities.
    - We found management's assessment that preparation of group financial statements is not required to be reasonable.

What is the status of our work?

We have completed our planned work in this area.

We found management's assessment that preparation of group financial statements is not required to be reasonable and in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2023/24.

03 Value for Money



Value for Money

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

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

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

Risk assessment and status of our work

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

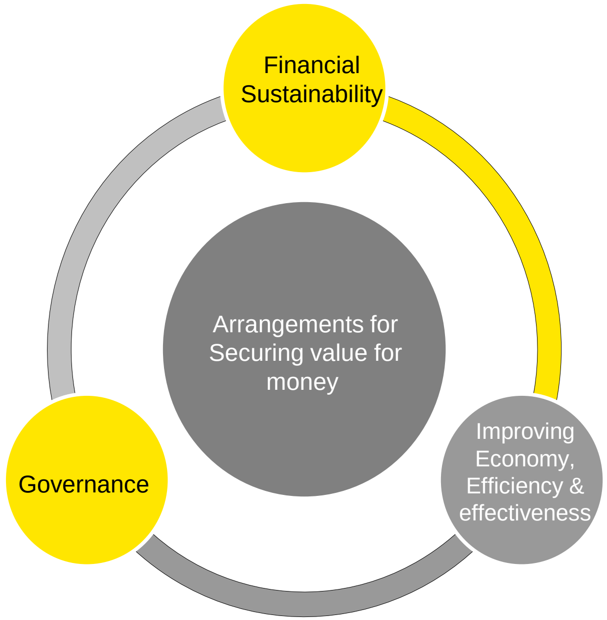
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on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

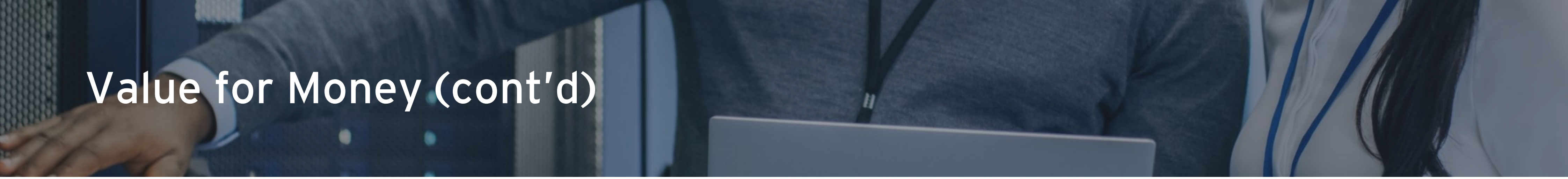
We will provide a commentary on the Council arrangements against three reporting criteria:

- **Financial sustainability - How 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; and**
- **Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.**

We have completed our detailed risk assessment on the VFM work and identified the 2 risks of significant weakness as detailed on pages 27 and 28.

We have also followed up on the implementation of recommendations made in the interim VFM report for 2021/22 and 2022/23 in line with our audit plan presented to the 15 July 2024 Governance and Assurance Committee.





Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?	Significant weakness identified?
Material overspends projected for 2024/25 and increasing budget gap for 2025/26	**Financial Sustainability:** 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	▸ Reviewed forecasts made for 2024/25 to understand how the Council balanced the budget (use of reserves, flexible capital receipts, level of savings identified as well as growth) and assess if the assumptions used were reasonable. ▸ Based on the results of the above, assessed how it impacts the forecasts for 2025/26 onwards and calculate the revised budget gaps for those periods. ▸ Analysed the available reserves in addition to general fund and business risk reserve that could be available for the Council to balance budgets. ▸ Inquired with management on their plan to address the budget gaps and assess if these are reasonable and realistic.	No – Our work in this area is complete - we concluded that the Council has proper VFM arrangements in place in relation to financial sustainability.

Findings

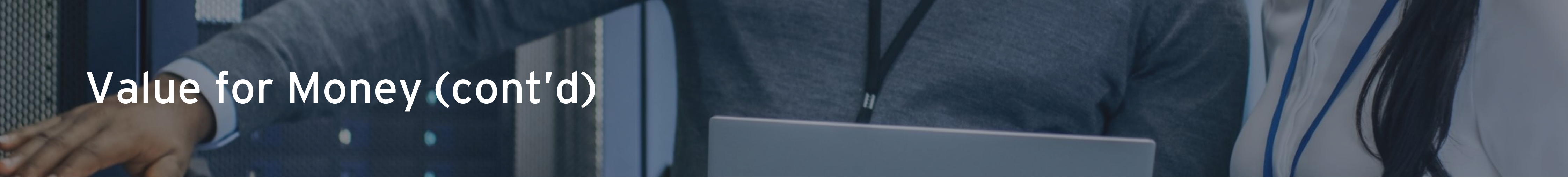
The Council's narrative report for 2023/24 noted that service directorates overspent by £42.273 million, which was offset by an underspend of £26.533 million on corporate budgets leaving an overspend of £15.740 million before the use of reserves. The General Fund outturn position is balanced following the corporate use of earmarked reserves (£4.431 million planned usage and £15.740 million at year-end) a total of £20.171 million. This overspend is the largest we've noted since our last completed audit in 2020/21.

We have reviewed the Council's Medium-Term Financial Strategy (MTFS) 2024/25 – 2028/29 which was presented to full Council on 29 February 2024 which identified that although the Council was able to balance the budget for 2024/25, budget gaps were forecast from 2025/26 (£24.537 million), totalling £74.402 million until 2028/29.

We have considered the performance against budget in 2024/25 through a review of budgetary control reports for month 2, quarter 1 and quarter 2 of 2024/25, any overspends in 2024/25 will further increase the budget gap for 2025/26 and potentially require further use of reserves. The latest budgetary control reports highlighted a net overspend for 2024/25 across the Council of £19 million. The main drivers of this overspend were within the Communities and People Directorates, offset by an underspend in Corporate.

For Communities, the overspend is primarily driven by the increasing cost and demand in temporary accommodation. For People, it is principally due to pressures around care purchasing, staffing and income for adults and children social care.

Built into the budget is a cushion to negate the impact of overspends in directorates (maintained in Corporate). For 2024/25, the budgeted amount is £37.739 million. In Quarter 2, £14.4 million of this budget was released, leaving a remaining balance of £23.339 million.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

Findings

Material overspends projected for 2024/25 and increasing budget gap for 2025/26 (cont'd)

For the 2025/26 budget presented in February 2024, the Council forecasted a budget gap of £24.537m. At the Cabinet meeting held in July 2024, an updated Medium Term Financial Strategy (MTFS) was presented which identified that the budget gap for 2025/26 had increased by £7m to a total of £31.6m.

	2024/25 Budget £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Expenditure	231.422	263.252	252.273	251.441	251.444	248.834
Funding	-231.422	-231.693	-233.373	-235.086	-236.834	-238.616
Budget gap (incremental)	0	31.559	18.9	16.355	14.61	10.218
Budget gap (cumulative)	**0**	**31.559**	**50.459**	**66.814**	**81.424**	**91.642**

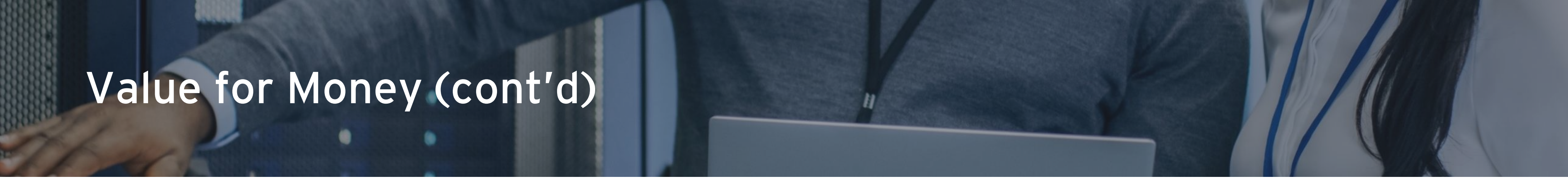
From discussions with management, a significant amount of work is currently in progress to produce a balanced budget for 2025/26 and this is expected to be presented in the Cabinet meeting in December 2024. The Council are taking a number of actions to achieve this, including:

- All services and directorates are currently reviewing their mitigations and management actions to identify potential sources of additional savings; and
- Management awaits the final local government settlement for 2025/26 which it anticipates would further reduce the budget gap identified.

The level of savings required to balance the budget for 2025/26 and beyond is significant and represents an increasing significant risk to the Council. All members will be required to make increasingly difficult decisions to secure the financial sustainability of the Council.

We consider the budget setting outcomes to be key in our assessment of arrangements within the financial sustainability criteria. We will review the budget proposals presented to the Cabinet meeting in February 2025 as well as updates on the savings identified. At the time of writing this report, the revenue budget proposals for 2025/26 to be presented to the February Cabinet meeting on the 13 February 2025 were not available. To allow us to conclude on the Council's arrangements on financial sustainability ahead of the 2023/24 backstop date, we reviewed the latest proposal presented to the December 2024 Cabinet and reviewed the minutes of the discussion. We considered the actions being taken to arrive at a balanced budget.

The latest budget proposal dated December 2024 shows a budget gap of £44.816 million for 2025/26. The total budget gap from 2025/26 to 2029/30 is £104.899 million. The report notes that new savings have been identified totalling £10.123 million for 2025/26, with additional savings still being developed to close the remaining budget gap. The Cabinet also expressed the intention to rebuild the Council's financial resilience by appropriation of revenue resources to the Business Risk Reserve, funded by a reduction in the risk and contingency provision. The Cabinet also agreed to contribute any increases in funding above forecast levels, unless tied to the need to provide new, specific actions, be taken as mitigations against existing pressures within the budget, and therefore contribute towards closing the 2025/26 budget gap. In our review of the report and discussions with management, the Council is confident that they will be able to achieve a balanced budget for 2025/26. In recent discussions with the deputy s.151 officer it was confirmed that the 2025/26 budget proposal is now balanced. A copy of the report was then shared with us and uploaded to the Council's website on 6 February 2025. The report indeed shows that the 2025/26 is balanced, with the total budget gap from 2025/26 to 2029/30 down to £73.706 million. Continued significant action is required by the Council and all members to resolve the medium-term funding gap.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

Findings

Material overspends projected for 2024/25 and increasing budget gap for 2025/26 (cont'd)

We have also reviewed the latest usable reserves forecast to understand whether the Council has sufficient reserves that can be utilised to balance the budget for succeeding years. As of 31 March 2024, the Council has £23.141 million of General Fund reserves, £18.217 million HRA reserves and £52.621 million earmarked reserves. This is a total of £93.979 million which is more than the gap of £73.706 million forecasted from 2026/27 to 2029/30 as set out in the February 2025 budget proposal, even though the Council does not intend to utilise these to bridge the gap.

We will continue to monitor management's arrangements to achieve spending within the budget as well as setting realistic budgets in succeeding years.

Value for Money (cont'd)

Risk of significant weakness in VFM arrangements (cont'd)

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?	Significant weakness identified?
Ineffective capital and general ledger systems and lack of processes in place to allow timely preparation of reports that will support an efficient financial statement close process (financial statement preparation and maintenance of records for capital assets).	Governance: How the Council ensures that it makes informed decisions and properly manages its risks.	Financial statement preparation: ▸ Obtained an understanding of the sources of information to feed into the financial statement preparation, types and reasons for the adjustments made and why these are not incorporated in the trial balance. ▸ Obtained an understanding of the time it takes for the finance team from downloading of the trial balance until the completion of the financial statements, and steps in between. Capital assets: ▸ Obtained understanding of the reasons for the significant delay in preparation and submission of schedules in relation to PPE and other capital assets.	Yes – Our work in this area is complete - we concluded that the issues identified and have documented within this report, specifically on pages 30 to 36, represent a significant weakness in arrangements and our audit report will be modified accordingly.

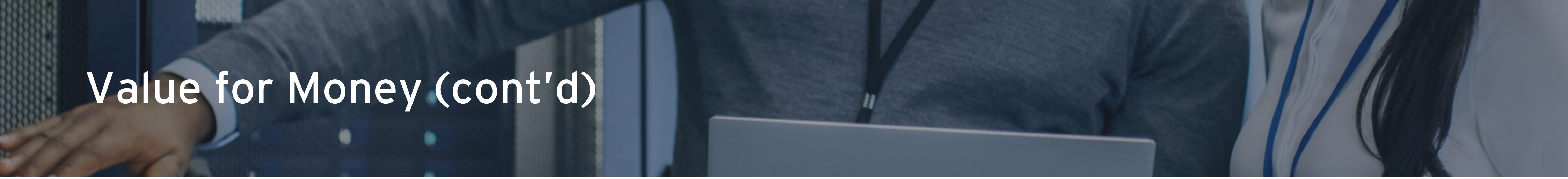
Findings

Financial statement preparation:

In our 2020/21 Audit Results Report which was presented reported to the committee in September 2023, we reported that we identified weaknesses in the Council's processes for the production and quality assurance of the financial statements, including delayed authorisation for issue of the financial statements on 20 August 2021 which was after the statutory deadline for publication as defined in the Accounts and Audit Regulations of 31 July 2021. Also, the underlying quality of working papers in relation to the maintenance of the fixed asset register. We gave careful consideration to the issues noted in 2020/21 and whether they represented a significant weakness in the Council's value for money arrangements under the NAO's 2020 Code. We concluded that they did not represent a significant weakness given they were limited to a specific area of the financial statements (PPE) and that they did not represent a pervasive weakness. In the committee meeting on that date and subsequent meetings, we were given assurances by management that the issues identified were being resolved.

The Council published their draft 2021/22 financial statements on 30 August 2022, and their draft 2022/23 financial statements on 29 November 2023, in both years this was after the 31 July statutory deadline. When challenged in the interim VFM report for 2021/22 and 2022/23 in April 2024, management responded that:

- The Council has recognised the challenges faced during the production of the 2020/21 financial statements, and the on-going effect this had for the publication of the 2021/22 and 2022/23 financial statements.
- In respect of Property, Plant and Equipment, the valuation process has been reviewed to ensure that going forward the quality of information provided by the Council is accurate and provided on a timely basis.
- A closedown timetable has been agreed and that this sets deadlines to enable the Council to produce draft financial statements by the statutory deadline going forward of 31 May.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements (cont'd)

Findings

In 2023/24, the financial statements were signed by the Section 151 officer on 5 July 2024 which is after the statutory deadline of 31 May 2024. Management raised that they once again had experienced challenges with PPE that led to other delays in finalising the draft financial statements for publication.

As part of our planned procedures to address the risk above, we have obtained an understanding of the financial statements close process to help identify the root cause of the delays in publication of the financial statements, and if there are other reasons to the delay aside from the challenges faced in relation to PPE. We found that a large part of the reason for the delays indeed relates to PPE (as discussed in the previous page). However, there were also other circumstances resulting in delayed publication of the financial statements and increasing the likelihood of errors within them.

Obtained an understanding of the sources of information that feed into the financial statement preparation, types and reasons of the adjustments made and why these are not incorporated in the trial balance

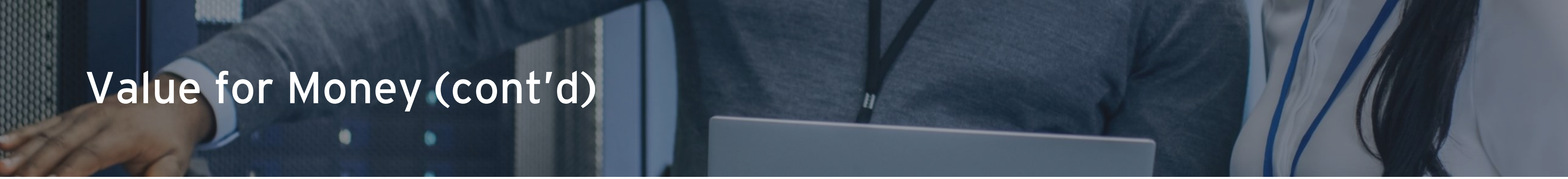
- The Council uses Agresso as its financial information system. The system captures all transactions and is used to prepare the financial statements. We noted that the Council's financial statement close process for 2023/24 (and prior years) takes a significant amount of time to complete. This is because the balances that are downloaded from Agresso are tailored for budget reporting purposes, and not CIPFA-compliant financial statement reporting. To arrive at the balances required for the financial statements, a substantial amount of manual intervention and adjustments are required to be made to the system generated output. This manual intervention adds a significant amount of time to the financial statements preparation time, the time required to carry out the audit and significantly increases the susceptibility of errors .

Obtained an understanding of the time it takes for the finance team from downloading of the trial balance until the completion of the financial statements, and steps in-between.

- From the summary of the corporate closedown timetable, finalisation of outturn summaries for the corporate accounts is planned on 17 and 18 April. The financial statements were approved on 5 July 2024 which was more than two months from the date of finalisation of outturn.
- The process starts with balancing the outturn report in Agresso, preparing the Expenditure and Funding Analysis from the outturn report, determining the adjustments that need to be made to arrive at income and expenditure amounts that are CIPFA-compliant (these include entries that are debited or credited initially to reserves, capital entries including depreciation and valuation, IAS 19 adjustments, holiday accruals, REFCUS, among others), preparing the Comprehensive Income and Expenditure Statement and other primary statements. As noted above, a substantial amount of manual intervention and adjustments are required to be made to the system generated output. All of these processes are done manually, using Microsoft Excel.

Errors identified in our review of the working papers

- Whilst we note that the errors identified impact income and expenditure do not impact the net surplus/deficit, the amount of the errors noted were £13.66 million and as such the gross income/expenditure could be materially misstated if these are not identified and corrected.
- There were also errors that impact expenditure between directorates. For one entry, reclassification from expenditure charged to provision of services to Financing and Investment I&E as relates to PFI exp, the original entry was to increase Expenditure – Regen & culture (Cost of services) but the manual adjustment was made to Expenditure – People (Cost of services). This resulted in Regeneration & culture expenditure being overstated and People expenditure being understated by £1.4 million.



Value for Money (cont’d)

Risk of significant weakness in VFM arrangements (cont’d)

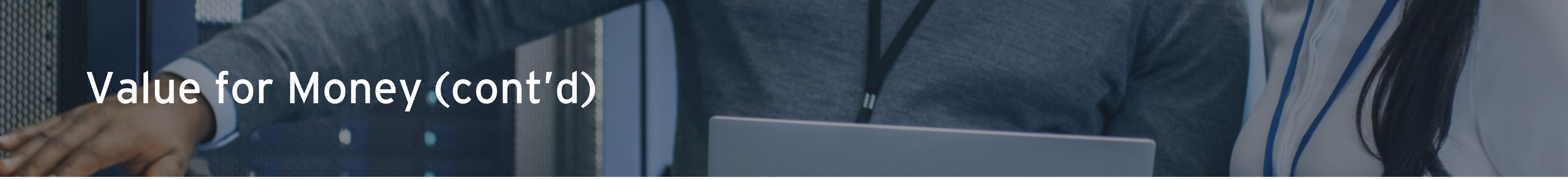
Findings

Errors identified in our review of the working papers (continued)

- We noted errors in our journal entry testing with similar errors to those on the previous page (incorrect use of income/expenditure codes when posting journal entries).
- In selecting samples for journal entry testing, we downloaded journals that were posted 2 weeks before 31 March 2024 (start of the closedown process) and all journals posted after 31 March 2024. We reviewed the account pairings and description of the journals and selected samples that fall under a set of criteria. We noted that for entries to record adjustment of debtor balances in schools, expenditure was credited instead of income, thereby understating the amount of both income and expenditure by £3.67 million.
- Also, there were journals identified that were posted to reallocate income between codes. It should have been debit to Income code against cost centre with grant income and credit income code against cost centre where the grant is to be reallocated. However, the journal prepared was debit expenditure, credit income by £3.25 million thereby overstating both income and expenditure.
- We discussed with officers whether there is a review completed on manual journals before posting these to the ledger. The officer confirmed that whilst there are controls over the posting of manual journals, these are not consistently applied across the Council. For example, we found during testing three journals which were prepared and authorised by the same member of staff. Management noted that these are on-line journals completed by a Principal Accountant and, therefore in their view, do not require a two-step approval process. There are also journals from feeder systems that management manually upload to the general ledger. For these, management could not provide evidence of review or authorisation prior to posting.
- These errors also occur because some preparers of the journals don’t give full consideration on the account codes used (whether income or expenditure) as long as the impact on the net expenditure for the directorate is the same. Management should emphasise to the preparers of the journals that although the net impact is the same, gross expenditure and gross income are separate figures in the financial statements.
- Segregation of duties is a key principle in financial control, aiming to reduce the risk of fraud and error. It involves breaking down processes so that no single person is responsible for every stage in a process. Ideally, a manual journal that has been prepared by a member of the finance team would be reviewed by a senior member of the team before posting. This allows management to detect errors / fraud before the transactions are posted to the ledger. At the Council, there are controls over the segregation of duties in respect of posting journals, although our testing identified that these are not consistently applied.

Other issues noted:

- As discussed in Section 6, it proved difficult for management to provide the relevant listings, for example for debtors and creditors outstanding as at the balance sheet date, there were numerous and varied reasons for this which included listings which included ‘opening balances’ and then transactions rather than open items as of year-end and listings being maintained by different teams within the Council. As part of the financial statement closedown procedures, we would expect the Council to produce and review the supporting information listings, ensuring they clearly identify the items included within the balances in the financial statements.
- There were instances during the audit where the Council could not provide evidence for smaller-value items. Although the Council has a policy of not accruing individual invoices below £20,000, management should still ensure the evidence is retained and available regardless of amount.
- A number of Council controlled schools use external payroll providers. In our testing of exit packages and staff numbers the Council could not provide the supporting evidence for one of our samples as the exit package related to a school and the calculation undertaken by the external payroll provider. The Council should ensure that all information provided by an external body is reviewed and corroborated and available for audit. We were also unable to obtain evidence for the pay band over £50,000 specifically for Mayfield School as the Council did not have access to the supporting data.



Value for Money (cont'd)

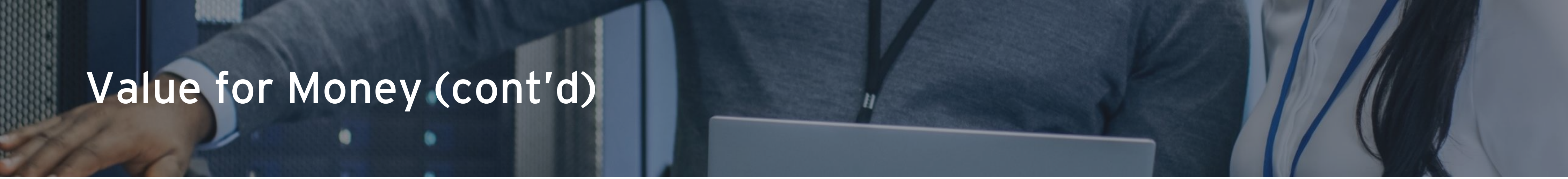
Risk of significant weakness in VFM arrangements (cont'd)

Findings

Errors identified in our review of the working papers (continued)

Recommendations:

- Management should ensure the controls over manual journals are consistently applied across the Council, ensuring sufficient review before posting to the ledger.
- Due to the number of the errors identified in 2020/21 and 2023/24, as well as the management-imposed limitation on Property, Plant and Equipment and other capital assets, we recommend that management develop a comprehensive improvement plan, which should be approved by the Governance and Assurance Committee to address the issues identified in order to achieve a more efficient and effective financial statements close process.
- The Governance and Assurance Committee ensure that timely action is taken by management to address the pervasive issues.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements (cont'd)

Findings

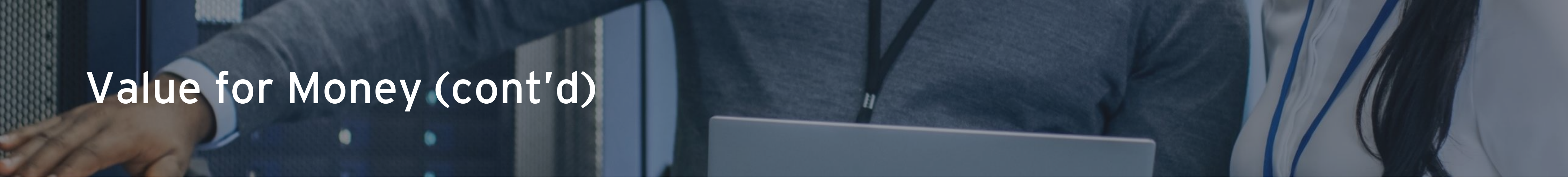
Capital Assets:

We identified a weakness in the Council's maintenance of underlying records in relation to property, plant and equipment and other capital assets due to failure to use an appropriate capital system, and not having sufficient controls around preparation and having checks and balances in place

- In 2020/21 Audit Results Report, we reported weaknesses in the systems and processes to produce the information required for property, plant and equipment (PPE) disclosures, impacting the completeness and accuracy of the underlying working papers which resulted in material amendments to the draft financial statements. Our work highlighted errors across all asset classes and within all line items of note 13 of the financial statements. The issues identified included material differences between the amounts disclosed within the draft financial statements, the general ledger, the fixed assets register and the valuation reports received from the Council's valuers, accuracy of information in the asset register, expenditure capitalised that were not adding value to the asset, to name a few. These had a material impact on the financial statements.
- During the Governance and Assurance Committee meeting in September 2023 when we presented the Audit Results Report for 2020/21 and the April and July 2024 Governance and Assurance Committee meetings when we presented the Audit Planning Reports, management gave assurances that the issues previously identified had been resolved and that by the time the execution phase of the audit starts, the working papers with sufficient quality for property, plant and equipment and other capital assets would be ready for us to audit.
- Upon commencing our audit in July 2024, it quickly became clear that the issues previously identified still existed for 2023/24. A summary of the issues identified is as follows:
    - Council dwellings valuation: The initial working papers supplied by management had a £16 million difference between the valuation and the balance in the financial statements. Review of the initial beacons identified that a number of beacons had more than one value. Management confirmed that this was due to variations in properties, which is not in line with the guidance for the beacon approach to valuation which requires that a sample property, "the beacon" to be selected which is representative of the group, and a detailed inspection and valuation carried out. We also noted that not all properties were allocated to a beacon, and some newly purchased Council houses valued at Market Value and not EUV-social housing as required by the CIPFA Code.
    - PPE valued using EUV approach: Our initial review of valuations identified that parts of some assets were omitted from the calculation thereby understating the overall balance of such assets. During detailed testing, we requested information supporting the inputs and assumptions used in the valuation such as financial data, yield rate, size of the asset, etc. However, the valuer/management have not been able to provide sufficient responses on a timely basis.
    - PPE classification: There were also incorrect classification of assets within PPE such as playing fields being included in other land and buildings instead of community assets, and inclusion of HRA development sites as other land and buildings instead of assets under construction.
    - Investment properties: The values of the two assets we selected as samples are outside the range determined by our EY Real Estates specialists due to a difference in yield rates that used in the valuation.
    - PPE additions: There are samples selected that are not capital in nature. This issue was also reported in the 2020/21 audit.

We obtained understanding of the reasons for the significant delay in preparation and submission of schedules in relation to PPE and other capital assets.

- Since September 2023, the previous capital accountant (responsible for resolving the issues noted in the 2020/21 Statement of Accounts) had left the Authority and that there had been two successive temporary members of staff employed by the Council to undertake the closure of the 23/24 PPE. In addition, the Authority had also moved away from engaging an external valuer in favour of an internal valuer and decided that it would prepare its 2023/24 Statement of Accounts utilising its Fixed Asset accounting software RAM in favour of the spreadsheet based Fixed Asset register that had been created as part of resolving the 2020/21 issues. At this stage, populating the system was an ongoing process and yet to be finalised.



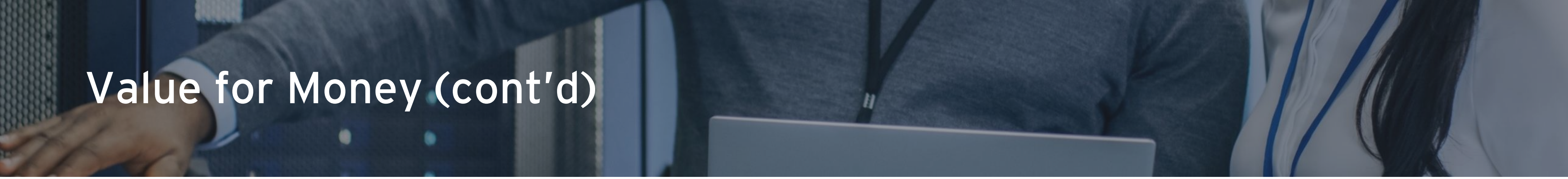
Value for Money (cont'd)

Risk of significant weakness in VFM arrangements (cont'd)

Findings

Capital Assets (cont'd):

- We held numerous meeting with management who provided assurances that mitigation was in place and that the 2023/24 PPE balances would be free from error and fully supported by sufficient appropriate working papers at the commencement of the financial statement audit.
- We commenced the audit in July 2024 and we noted that management's mitigation had not been effective as intended as we did not receive a full suite of working papers supporting PPE, the valuation had not been finalised and certified, and that the RAM system had not been fully and appropriately updated as there were reconciling items between the RAM output and the financial statements.
- These points were discussed with management at the time and as a result of assurances provided that the issues would be resolved quickly, samples were selected and provided to the Council and the EY real estate team engaged.
- During this time, the Council also engaged their third temporary capital accountant who had little, if any, period of handover from the previous capital accountant and was charged with seeing the audit through to conclusion.
- Difficulties were experienced in trying to obtain the required level of assurance, for example:
    - Despite starting our work in this area ahead of the rest of the audit we encountered severe delays in receiving the information required from the capital team. On 1 October, we sent to management a final list of deliverables, some of which had been outstanding since July, detailing the information we needed in order to progress our work. We asked that management provide the information ready for us by 7 October and allocated additional resource in this area. While some of the information requested was received it was not within the agreed timescales nor to the required quality.
    - The financial statements were based on uncertified valuation calculations. The certificate dated 1 October 2024 was only provided to us on 7 October 2024. The valuer also changed the calculations several times following challenges we raised during the audit.
    - The valuer nor the capital team could provide sufficient responses to the challenges we raised in relation to the assumptions and inputs used in the valuation.
    - The draft financial statements presented for audit included the disposal of a site that should have been treated as an appropriation at current value as the asset had not actually been disposed of.
    - Management still could not provide sufficient evidence on capital additions.
- As noted in the Section 2 Areas of Focus, due to the issues noted, we agreed with management that PPE was not ready for audit.
- We have secured additional resource and worked closely with management to close any areas where the issues identified have not been as prevalent, and where management had provided sufficient evidence and explanations on the inquiries we have raised. These will be helpful in accumulating assurance for the build back of assurance for the 2024/25 audit. These include:
    - Valuation of assets valued using DRC;
    - Assets held for sale testing; and
    - Infrastructure assets testing.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements (cont'd)

Findings

Capital Assets (cont'd):

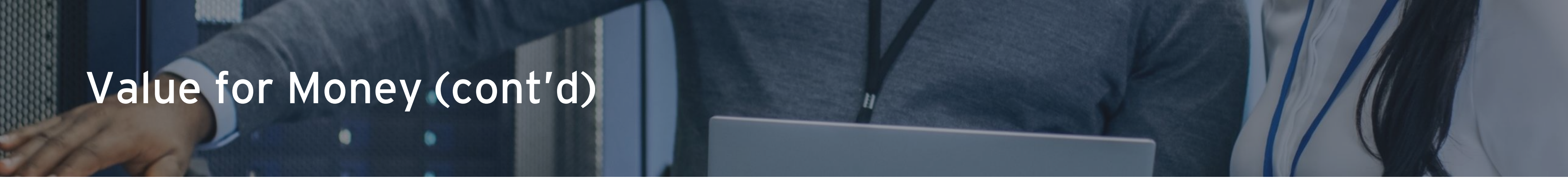
Recommendations:

The following matters need to be prioritised for resolution:

- Decide on the system the Council will use to maintain its asset base and the time needed to invest in establishing and quality controlling the base data, ensuring that the integrity of the records is maintained throughout.
- Identify the key data points, and any critical points of failure, both in system and personnel and ensure mitigation plans are put in place in capital systems that could be used in maintaining PPE and other capital assets records and ensure that all members of the capital team are knowledgeable in using the system.
- Develop quality control procedures to ensure that any errors that could occur are detected and corrected prior to finalising of the draft financial statements.

Despite repeated assurances from management that these matters were addressed, these are similar matters which were formally reported as part of our 2020/21 audit and caused significant delays to the finalisation of those financial statements, These matters now require urgent attention with a comprehensive improvement plan implemented. This should be subject to regular review and consideration by the Governance and Assurance Committee. As part of the 2024/25 audit, we will assess the progress made by the Council and if, in our view, there is insufficient progress we will consider exercising our statutory powers and making statutory recommendations, which will be copied to the Secretary of State

Since the issues noted above resulted in material errors in the financial statements, we concluded that there is a significant weakness in arrangements and our audit report will be modified accordingly.



Value for Money (cont'd)

Monitoring of recommendations made in the VFM report for 2021/22 and 2022/23

The table below sets out the recommendations arising from the value for money work 2021/22 to 2022/23.

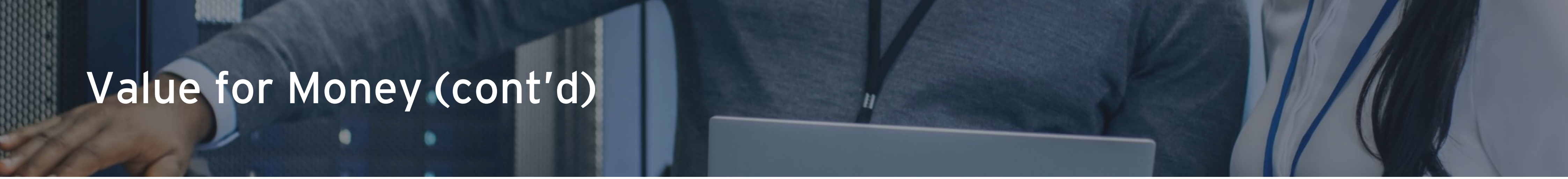
All recommendations have been agreed by management. We will monitor the progress of these recommendations as part of our 2023/24 VFM work.

Issue	Recommendation	Management response in the 2021/22 and 2022/23 reports	Assessment of progress for in 2023/24
Financial sustainability	Officers need to ensure robust plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.	**Agreed.** The Council is implementing a number of measures to facilitate this, including but not limited to: ▸ All budget managers being asked to agree their budget assurance statement acknowledging their constitutional requirement to operate within the approved budget envelope and where overspend is forecast to take sufficient mitigating action to bring the forecast back into budget; ▸ All budget managers being required to attend budget management briefings and training sessions; ▸ Full delivery recovery plans being required for undelivered savings from 2023/24, with an expectation that the saving is delivered in full, as early as possible, and to value; and ▸ Full delivery plans in place, including milestones, for new 2024/25 savings and budgeted mitigations. **Update November 2024:** **The quarter 2** budgetary control report highlights that with planned mitigations for delivery in 2024/25: ▸ there is a forecast outturn of £9.580m that would fall to be met from reserves unless expenditure is reduced; ▸ 86.7% of all planned savings have either been delivered or are in active delivery and expected to be met in full by year end; and ▸ the Council has instigated stringent spend controls across all areas of activity in an attempt to further reduce expenditure, with the intent to maintain the council's financial resilience.	This recommendation is linked to our risk of significant weakness on page 26. We will continue to monitor the progress against this recommendation until audit sign off.

Value for Money (cont’d)

Monitoring of recommendations made in the VFM report for 2021/22 and 2022/23 (cont’d)

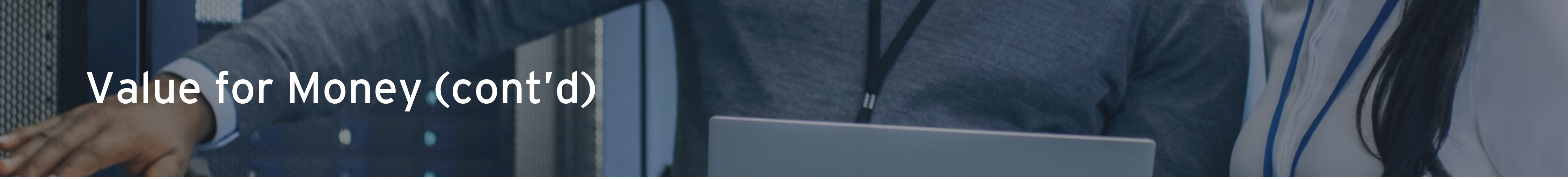
Issue	Recommendation	Management response in the 2021/22 and 2022/23 reports	Assessment of progress for in 2023/24
Governance	The Authority should review the AGS in subsequent years to ensure actions and assurances can be more clearly tracked between years. The Authority should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Authority to be assured regarding the adequacy of its governance arrangements. The Authority should continue with the recently increased focus on monitoring Internal Audit recommendations to ensure they are implemented on a more timely basis. Where there is slippage, the Governance and Assurance Committee should continue to ensure relevant officers attend meetings to provide updates and explanations and agree actions and timelines to ensure the recommendations are implemented.	**Agreed.**	We reviewed the AGS for 2023/24 to check if the actions and assurances reported in previous years are now clearly tracked. We noted that Section 5: Improvement actions for 2023/24 from the 2022/23 AGS have been rolled forward appropriately to the 2023/24 AGS, with sufficient progress noted for each action. We also obtained the quarter 4 report from internal audit to track if timeliness of implementation of recommendations have improved. We noted that as of 2023/24, the red-risk rated actions remains. We also noted that in the tables below the number of red-rated recommendations aged more than 12 months have increased by 2; 7-12 months increased by 1, but not yet due to aged 4-6 months decreased. The total of red-rated recommendations decreased by 4 in total.
Improving economy, efficiency and effectiveness	The Authority should continue to monitor closely the remedial action plan related to the RSL regulatory notice and monitor other performance information to identify any other areas requiring action.	**Agreed.** The Council continues to work with the regulator	We obtained the latest compliance report on areas that were ongoing since our VFM interim report date. We noted that the compliance rates of the remaining areas increased from January to July 2024, with the remaining areas’ rates now at: ▸ Internal electrical: 96% compliant as of July 2024. ▸ Entrance doors: 90% compliant as of July 2024. ▸ Gas: 99.95% as of July 2024. We also assessed the potential impact of the notice to the financial statements for 2023/24 and prior years in terms of 1. valuation of council dwellings and 2. provisions. 1. Valuation of council dwellings – we also note that the issues raised in the notice are unlikely to be issues that cause material issues with council dwellings valuations, as they are not significant in terms of structure or items that would impact the base valuation, in fact they are likely to be limited to communal areas rather than individual properties, this is further evidenced by the spend of just £1.7 million in rectifying the majority of the issues that were identified.



Value for Money (cont'd)

Monitoring of recommendations made in the VFM report for 2021/22 and 2022/23 (cont'd)

Issue	Recommendation	Management response in the 2021/22 and 2022/23 reports	Assessment of progress for in 2023/24
Improving economy, efficiency and effectiveness (cont'd)	The Authority should continue to monitor closely the remedial action plan related to the RSL regulatory notice and monitor other performance information to identify any other areas requiring action.	**Agreed.** The Council continues to work with the regulator	Based on these, we conclude that the non-compliance with the minimum decent home standards does not have significant impact in the valuation of the Council Dwellings as the quality and condition of the stock has been considered already in the valuations. 2. Provisions – as noted above, cost of remediation is not material - £1.77 million in 2023/24. Considering that by January 2024, most of the areas have already been completed (all areas above 89% compliance aside from the entrance doors which was at 51%), the cost to remediate the remaining areas is not expected to be material as of the end of 2023/24.

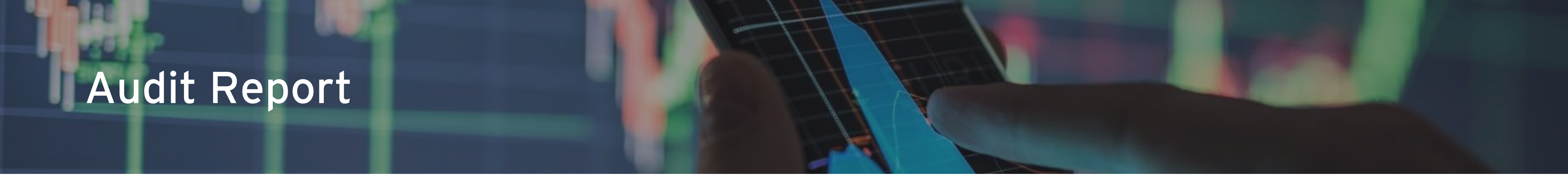


Value for Money (cont'd)

Monitoring of recommendations made in the VFM report for 2021/22 and 2022/23 (cont'd)

Issue	Recommendation	Management response in the 2021/22 and 2022/23 reports	Assessment of progress for in 2023/24
Governance	The 2020/21 financial year was challenging for the Authority, as they responded to the Covid-19 pandemic. During production of the 2020/21 financial statements and supporting working papers, both the Chief Accountant and Capital Accountant roles were filled by temporary members of staff, who then left in August and October 2021, respectively. As a result, the draft financial statements were not authorised for issue by the Section 151 Officer until 20 August 2021, after the statutory deadline for publication as defined in the Accounts and Audit Regulations and also later than the agreed timetable agreed by management for the audit. There were delays in the approval of the financial statements and the provision of working papers. Whilst we had received assurances over the governance process for quality review of the financial statements before being provided for audit, and the draft financial statements had been certified by the section 151 as being true and fair and free from material error, our initial high level review highlighted a number of issues within the draft financial statement. Subsequently, our audit has highlighted material adjustments to the value of property, plant and equipment disclosed in the financial statements as a result of significant weaknesses in the underlying processes, controls and working papers. The Authority should consider all of the findings reported in this Auditor's Annual Report and the Audit Results Report dated 28 September 2023 and ensure robust governance procedures are implemented for the production of future years accounts, particularly those relating to the disclosures of property, plant and equipment.	**Agreed.** The Council has recognised the challenges faced during the production of the 2020/21 financial statements, and the on-going effect this had for the publication of the 2021/22 and 2022/23 financial statements. In respect of Property, Plant and Equipment, the valuation process has been reviewed to ensure that going forward the quality of information provided by the Council is accurate and provided on a timely basis. A 2023/24 closedown timetable has been agreed. This sets deadlines to enable the council to produce draft financial statements by the statutory deadline of 31 May. **Update November 2024.** The draft financial statements were signed by the Section 151 officer on 5 July 2024, having experienced problems once again with PPE that led to other delays in finalising the draft financial statements for publication. The Council recognises it still has improvements to make with the arrangements for PPE, and is working constructively with the external auditor to achieve this	This recommendation is linked to our risk of significant weakness on page 28. We identified weaknesses in relation to the Council's ineffective capital and general ledger systems and lack of processes in place to allow timely preparation of reports that will support an efficient financial statement close process (financial statement preparation and maintenance of records for capital assets)

04 Audit Report



Audit Report

Audit Report

As reported in our 2022/23 Audit Completion Report (dated 20 November 2024), we issued a disclaimed audit report on the Authority's financial statements for 2022/23 under the arrangements to reset and recover local government audit.

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

As set out within this report we have also not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over closing balances and in-year transactions. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

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

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

05 Audit Differences

Audit Differences

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

Summary of adjusted differences

The draft financial statements were authorised for issue by the Section 151 Officer on 5 July 2024, this was after the statutory deadline for publication as defined in the Accounts and Audit Regulations of 31 May 2024. Despite the draft financial statements being certified as true and fair by the Section 15 Officer, our work has identified a significant number of numerical and accounting differences in the draft financial statements and supporting disclosures which management has chosen to adjust. Some of these adjustments are to correct the amount reported in the financial statements which resulted from the significant amount of manual adjustments that needs to be made from the Council’s general ledger to arrive at the balances which are CIPFA code and accounting standard compliant.

These errors are presented in detail below.

- The bank reconciliation for two schools was completed incorrectly (Seven Kings and Oaks Park) resulting in overstatement of cash at bank and creditors by £1.23 million.
- The original entry to record the Council’s bad debt provision was incorrectly posted to an income code (under cost of services) instead of an expenditure code. Management then erroneously posted a reclassification entry to move the expenditure to Financing and Investing by crediting an expenditure code. This resulted in understatement of both income and expenditure of £2.10 million.
- Revenue Contribution to Capital Outlay (RCCO) information is not integrated in the Council’s financial systems and requires manual adjustment which is made at year-end. In making the adjustment, the amount was debited to income instead of expenditure thereby understating both income and expenditure by £3.92 million;
- A manual adjustment for expenditure relating to private financing initiatives was credited to the People directorate instead of the Regeneration and Culture directorate, thereby resulting in a mismatch of expenditure between the codes of £1.44 million.
- When manually adjusting for the income and expenditure that had been initially charged to reserves, income codes were debited instead of expenditure codes and vice versa, the net impact of this was an understatement of both income and expenditure of £17.58 million.
- A manual journal for schools debtors balance was incorrectly credited to expenditure instead of income, thereby understating both by £3.67 million.
- Manual journal to reallocate income was erroneously debited to expenditure instead of income, thereby overstating both by £5.14 million.
- In our debtors and creditors testing, we noted that both balances are overstated by £2.54 million relating to Pupil Premium Payment due to the schools’ finance recording the receipt of cash as an increase in creditors but also raising a debtor to accrue the income.
- Within prepayments was an invoice that was not paid, overstating both prepayments and creditors by £2.49 million.
- Borrowings due with twelve months from year-end totalling £5 million was erroneously recorded in creditors instead of short term borrowings.
- In adjusting for the balances of London Local Partnership Programme where the Council has a 1/9 share, the adjustment to remove the other 8/9 shares of other boroughs was posted twice, understating income and expenditure by £3.149 million.
- Cash and cash equivalents included bank overdrafts totalling £30.246 million as of the end of 2023/24 which should be presented as part of current liabilities.

In addition to the above, we also identified other disclosure and presentational differences which we did not specify in this report but management agreed to correct.

Audit Differences

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

Summary of adjusted differences (continued)

The errors in the previous page do not include the differences noted in the working papers for property, plant and equipment and other capital assets that were identified when comparing the initial working papers provided and the financial statements. Due to the issues noted in capital assets, we concluded that the Council was not ready for audit of this area and as such it was not possible to complete our testing, representing a management limitation of scope.

There were also misstatements in disclosures, again these have been adjusted by management. These misstatements have arisen as a result of some of the issues identified in this report. The errors identified has resulted in a significant increase in the amount of audit work required. In addition, we have had to consider the impact of these errors on our overall testing strategy and materiality.

Audit Differences (cont'd)

Summary of unadjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Governance and Assurance Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Governance and Assurance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2024 (Currency £'000)	Effect on the current period:		Net assets (Decrease)/Increase					
	OCI Debit/ (Credit)	Income statement Debit/ (Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Usable reserves Debit/ (Credit)	Unusable reserves Debit/ (Credit)
Errors								
Known differences:								
► Review of accounting for Finance Leases (Council as Lessor) identified errors arising from the use of an incorrect Initial Rate of Return (IRR), an unrealistic estimate of the unguaranteed residual value of the asset at the end of the lease term, inappropriate allocation of lease payments between Capital and Interest and incorrect accounting entries being made.		(59)		59				
Impact on reserves:								
Capital Adjustment Account								1,900
Deferred Capital Receipts Reserve								(1,900)
► Credit balances within debtors were noted, thereby understating both debtors and creditors balance			2,840		(2,840)			
► Capital grant income recorded in 2023/24 relates to 2022/23		2,248					(2,248)	
► Mayor's Free School meals grant for 2024/25 was erroneously recognised as income in 2023/24		1,113	(1,113)					
► The pension fund auditor reported that the value of pension fund assets per the IAS 19 report is lower by £2.223 million than the percentage share of the Council's fund assets as of 31 March 2024.	(2,223)					2,223		

(continued to next page)

Audit Differences (cont'd)

Summary of unadjusted differences (continued)

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Governance and Assurance Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Governance and Assurance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2024 (Currency £'000)	Effect on the current period:		Net assets (Decrease)/Increase					
	OCI Debit/ (Credit)	Income statement Debit/ (Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Usable reserves Debit/ (Credit)	Unusable reserves Debit/ (Credit)
Errors								
Judgmental differences:								
► Testing and Review of Infrastructure Assets had identified a number of items that have been assessed to be revenue in nature, either due to them being minor works or clearly revenue in nature.		1,369		(1,369)				
Projected differences:								
► In creditors testing for existence, 8 representative samples out of 28 failed due to differences between evidence and recorded amounts, creditors relating to 2024/25 and not 2023/24 and insufficient evidence provided. We extrapolated these to the rest of the population.		(825)			825			
► 1 sample of debtors (housing benefit overpayment recovery) was raised as mistake, hence, not existing at year-end.		1,061	(1,061)					
Totals	(2,223)	4,907	666	(1,310)	(2,015)	2,223	(2,254)	6
Cumulative effect of uncorrected misstatements before turnaround effect		4,907						
Turnaround effect. See Note 1 below.		(2,248)						
Cumulative effect of uncorrected misstatements, after turnaround effect		2,659						

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2024.

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period.

Audit Differences (cont'd)

Summary of unadjusted differences (continued)

In our review of the Council's draft financial statements, we also identified a number of differences between the 2022/23 comparatives and the 2022/23 signed financial statements in relation to Note 8 (Adjustments Between Accounting Basis and Funding Basis Under Regulations), Note 23 (Financial Instruments), Note 28 (Capital Financing Requirements), Note 30c (Pension Reserve), Note 32 (Officers Remuneration), Note 39 (Pension Schemes Accounted for as a Defined Contribution Scheme) and Note 40 (Defined Benefit Pension Scheme). Management explains that these differences are due to corrections of errors found in the 2022/23 Statement of Accounts, hence, will not be reverted to the previous years' balances.

The differences amounting to more than £0.5 million are:

- Note 8: Revaluation losses on Property, Plant and Equipment – difference of £3.738 million;
- Note 8: Reversal of Major Repairs Allowance - difference of £5.453 million
- Note 23: Interest Income for financial assets measured at amortised cost and corresponding totals – difference of £5.814 million
- Note 40: Return on assets excluding amounts included in net interest – difference of £1.153 million
- Note 40: Actuarial (losses)/gains arising from changes in financial – difference of £455.904 million
- Note 40: Income and Expenditure Statement – difference of £455.907 million
- Note 40: Post-employment benefits in accordance with the code - difference of £28.787 million
- Note 40: Pension liability value – difference of £39.228 million

As we intend to issue a disclaimer of opinion, we have not performed further procedures to check the accuracy of the revised comparative figures.

Other observations

In addition to the corrected and uncorrected errors in the previous sections, we also noted areas which indicate that a misstatement is likely to exist, but we have not been able to complete the procedures necessary to confirm the existence of misstatement and/or determine the size of the misstatement. These observations are not recorded in the summary of audit differences, but control recommendations have been made in Section 6 of this report.

- Our testing of unrecorded liabilities, there were 11 samples where management could not provide evidence. Management suggests that this is because the amounts of the samples are below £20,000 and based on their deminimus limit for accruals is £20,000. The audit team is of the view that management should still obtain copies of invoices and supporting information for the samples regardless of amount. In line with our audit approach, we failed the samples which resulted to an initial extrapolated error of at least £43.252 million. We would ordinarily perform additional testing of the population to provide more information on the most likely level of error within the population, however for the reasons set out above, we have not been able to complete these procedures. In Section 6 of this report, we recommended that management should have a process of assessing the impact of the policy not to accrue invoices below £20,000. This is to ensure the accuracy of the balance of liabilities at the end of the year.
- As discussed for capital additions, we were not able to complete the planned procedures due to a combination of insufficient evidence being provided by the Council and reprioritisation of areas due to the implementation of the backstop date of 28 February 2025. However, within the samples selected we identified a number of transactions that have insufficient evidence provided by management, and transactions that appear to be revenue in nature based on initial evidence obtained. Because of the time and resource constraint, we were not able to wait for further responses from management to conclude on the 52 samples with insufficient evidence. We also were not able to perform additional procedures to assess the impact of the samples which we failed. The extrapolated error of the samples failed is £6.476 million. In Section 6 of this report, we raised recommendations to improve management's recording and maintenance of capital records.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant weaknesses in internal control our audit highlighted.

As detailed in Section 3 of this report we have concluded that there are significant weaknesses in relation to the governance criterion of our value for money conclusion, with a focus on:

- Weaknesses identified in the systems and processes to produce property, plant and equipment (PPE) disclosures; and
- Weaknesses in the preparation of the financial statements and associated quality control processes.

In the table in the next page, we summarise the most significant findings against each of the weaknesses.

The Governance and Assurance Committee, in discharging their responsibilities, should ensure that there are sufficient plans in place to address these weaknesses and that progress against them is monitored.

Assessment of Control Environment

Weaknesses identified in the systems and processes to produce property, plant and equipment (PPE) disclosures and related findings.

See Section 3 for detailed findings

Finding/Risk	Grading	Recommendations
Issues impacting the completeness and accuracy of the underlying working papers and disclosures in the financial statements.	Red	We recommend that management: ▸ Decide on the system the Council will use to maintain its asset base and the time needed to invest in establishing and quality controlling the base data, ensuring that the integrity of the records is maintained throughout; ▸ Identify the key data points, and any critical points of failure, both in system and personnel and ensure mitigation plans are put in place in capital systems that could be used in maintaining PPE and other capital assets records and ensure that all members of the capital team are knowledgeable in using the system; and ▸ Develop quality control procedures to ensure that any errors that could occur are detected and corrected prior to finalising of the draft financial statements.
<u>Depreciation and amortisation</u> The Council use markers in the fixed asset register to identify the type of asset and the applicable depreciation treatment, including useful life, given the values involved any error could lead to a material misstatement within the depreciation and amortisation charges that the Council recognises in its financial statements. During our testing of depreciation and amortisation, it was noted that: ▸ Not all items within an asset class have the correct depreciation marker set within the RAM system; ▸ Not all assets have been assigned a 'Land' or 'Building; marker; and ▸ Not all items within an Asset Class have an asset life compatible with the stated Accounting Policy.	Green	The Council should review the depreciation markers and ensure that the base data included in the fixed asset register is correct, this is in line with the wider PPE recommendation made on page 42 of this report.
<u>Infrastructure Assets</u> The temporary relief applied in the 2023/24 financial year in respect of Infrastructure Assets is applied up to and including the 2024/25 financial year. At the current time it is not clear if this will be further extended.	Amber	We recommend that the Council considers allocating resource to reviewing the availability of underlying records it holds for infrastructure assets as part of the wider PPE recommendations on page 41, to ensure that it will be able to support the gross book value and accumulated depreciation balances disclosures required from financial year 2024/25 onwards.

Assessment of Control Environment

Accounts preparation and quality control processes and related findings.

See Section 3 for detailed findings

Finding/Risk	Grading	Recommendations
Accounts preparation and quality control processes.	Red	▸ Management should ensure the controls over manual journals are consistently applied across the Council, ensuring sufficient review before posting to the ledger. ▸ Due to the number of the errors identified in 2020/21 and 2023/24, as well as the management-imposed limitation on Property, Plant and Equipment and other capital assets, we recommend that management develop a comprehensive improvement plan, which should be approved by the Governance and Assurance Committee to address the issues identified in order to achieve a more efficient and effective financial statements close process. ▸ We also recommend that the Governance and Assurance Committee ensure that timely action is taken by management to address the pervasive issues.
The accounts payable system used by the Council is not able to generate a list of open items once the date has passed, therefore, management was not able to provide the audit with the supporting breakdown of general ledger control accounts totalling £7.134 million.	Red	Management should consider implementing a system upgrade which allows the current accounts payable system to generate a list of open items to support the general ledger account balance.
<u>Journals</u> Redbridge does not retain evidence to support manual journals that are posted into the system which caused delays in the audit as management was required to reach out to multiple people within the organisation to get a copy of the supporting document for the journal. This also means that there is no review process done before the journal is posted.	Amber	Management should ensure the controls in place to review manual journals before posting to the general ledger and with regards to retaining evidence to support the positing are consistently applied across the Council.
<u>Purchases cut-off</u> As part of the Council's year-end financial instructions, there is a deminimis limit of £20,000 set for the recognition of year-end accruals. The Council does not undertake an analysis to ensure that the impact of the invoices that relate to services rendered as of year-end but not accrued is either not material or not significant to any particular directorate.	Amber	Management should have a process of assessing the impact of the policy not to accrue invoices below £20,000.

Assessment of Control Environment

Accounts preparation and quality control processes and related findings (continued).

See Section 3 for detailed findings

Finding/Risk	Grading	Recommendations
<u>Cash at bank – school</u> We noted that schools' cut-off for financial statement closedown is on 15 March every year. As part of this, the schools are required to make a financial monitoring return to the Council. When we tested these, the amounts provided on the return did not agree to the detailed working papers. A further two returns have been made with errors, this has resulted in significant additional work for both the audit team and the Council's finance team. Auditing standards require us to obtain direct confirmation of bank balances as at the balance sheet date. In the listing of bank accounts held for schools that was provided as part of the planning process, a total of twelve bank accounts relating to schools were not included. This led to further requests being raised and at the time of preparing this report a number of the balance confirmations remain outstanding.	Amber	The Council should maintain and update a record of all bank accounts, both at a corporate level and for school accounts. In addition, as part of the financial statement closedown process the Council should reconcile the monitoring returns received to the bank balance per the statement and subsequently the financial statements.
<u>Housing Benefit Expenditure</u> We have inspected evidence that management performs daily reconciliations of the housing benefit system to the general ledger. We have also been provided with an annual report from the housing benefit system for rent rebates. However, according to the Subsidy and Systems team, there is no equivalent report for rent allowance.	Amber	Management should ensure that there is an annual report from the housing benefit system for both rent allowances and rent rebates that agrees to the general ledger.
<u>Expenditure and Funding Analysis</u> We noted a £47 million difference between the amount disclosed in Note 7b. Gross income and gross expenditure and the amount disclosed in the Comprehensive Income and Expenditure Statement.	Amber	Internal consistency checks should be strengthened in the overall quality control process of the financial statements to detect such errors before the draft statements are certified and presented for audit.

Assessment of Control Environment

Accounts preparation and quality control processes and related findings (continued).

See Section 3 for detailed findings

Finding/Risk	Grading	Recommendations
<u>Local London Partnership Programme Share</u> Redbridge is the administrator of the Local London Partnership, an inter-agency partnership among 9 London Boroughs aimed to secure local benefits and sustainable growth for the members. Based on the inter-agency agreement, the 9 London Boroughs are pooling and sharing costs arising out of the agreement equally in order for a collaborative programme to be developed and implemented. Since Redbridge only owns a 1/9th share of the total balances, the remaining balance should be recognised by the other 8 Councils that are part of the programme. However, there is no process in place to inform the other 8 London Boroughs of their share of the income, expenditure, debtors, creditors and cash.	Green	The Council should include a process to inform the constituent councils of their share of assets and liabilities at the end of each financial year.
There is an open non-compliance with laws and regulations (NOCLAR) matter; we have been unable to complete sufficient audit work in the time available to determine whether there is a material impact on the financial statements.	Red	Management should be proactive in sharing information to allow us to conclude on the impact of potential NOCLARs.

07 Other Reporting Issues

Other Reporting Issues

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

We are required to give an opinion on the consistency of the financial and non-financial information in the Council's 2023/24 financial statements.

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

Financial information in the Council's 2023/24 financial statements was consistent our understanding.

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

Whole of Government Accounts

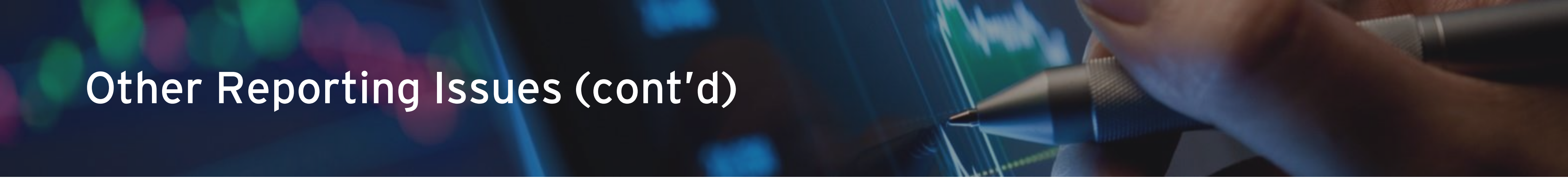
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State.

We did not identify any issues which required us to issue a report in the public interest/issue statutory recommendations under Schedule 7.



Other Reporting Issues (cont'd)

Other matters

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

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

There is an open area of potential non-compliance with laws and regulations; we have been unable to complete sufficient audit work in the time available since provision of relevant information from management to determine whether there is a material impact on the financial statements was delayed. We have reported this matter in our audit opinion. We anticipate making additional recommendations in this area, however, at the time of writing, we raised a recommendation in Section 6 around good practice around transparency in management sharing information to allow us to conclude on the impact of the matter.

We have documented the issues identified and delays encountered throughout this report.

Other Reporting Issues (cont'd)

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

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

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

Given that are intending to disclaim the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

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

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

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

Audit Procedures	Audit findings and conclusions

We performed the following procedures:
▸ Obtained an understanding of the IT processes related to the IT applications of the Council.
▸ Performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
▸ When we have identified controls relevant to the audit that are application controls or IT-dependent
▸ controls where we do not gain assurance substantively, we performed additional procedures. We also review the following processes for all relevant IT applications:
    ▸ Manage vendor supplied changes
    ▸ Manage security settings
    ▸ Manage user access
    ▸ Manage entity-programmed changes
    ▸ Job scheduling and managing IT process
	We did not find issues in the procedures undertaken for ISA 315.

08 Independence

Independence - Relationships, services and related threats and safeguards

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	Final 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	▶ 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.

Independence - 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 Stephen Reid, 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.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately nil:1. No additional safeguards are required.

Self-review threats

A self-review 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.

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.

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 28 June 2024 and can be found here: EY UK 2024 Transparency Report.

Independence - Relationships, services and related threats and safeguards

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

Relationships

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

Services provided by EY

There are no services provided by EY from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

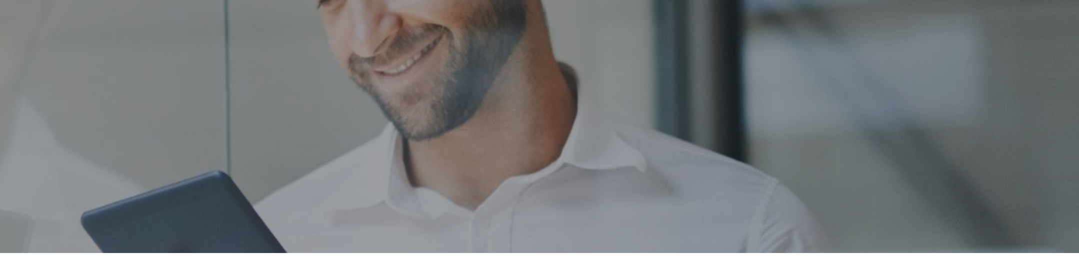
Confirmation

We are not aware of any inconsistencies between the Council's policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that the independence threats created by the level of the audit fees are at an acceptable level.



Independence - Fees

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

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

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

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

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

	Current Year	2022/23	2021/22	Last completed audit (2020/21)
	£'000	£'000	£'000	£'000
Total Fee – Code Work	385	135 Note 1	107 Note 1	107 Note 2
Scale fee variation (SFV) approved	TBC	TBC	TBC	249
Total audit	**TBC**	**TBC**	**TBC**	**356**
Proposed SFV 1 (Note 3)	TBC	-	-	-
Total other non-audit services	**TBC**	**-**	**-**	**-**
Total fees	**TBC**	TBC	TBC	**356**

All fees exclude VAT

(1) Note 1 - PSAA Ltd, in line with the joint statement issued by DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) The 2020/21 work has been completed and a final fee was determined.

(3) We expect to charge additional fee for the work done on ISA 315, together with other areas reported throughout this report impacting the efficiency of the audit process. The scale fee also 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.
- Additional time spent to respond to challenges faced during the audit (e.g., re-run of general ledger analyser, bank confirmation request for accounts initially missed, analysing multiple versions of working papers for the same account, processing listings that prove to be incorrect or incomplete).

09 Appendices

Appendix A – Summary of Assurances

Summary of assurances

We anticipate issuing a disclaimer of opinion on the 2023/24 financial statements.

As a result of the disclaimed audit reports from 2021/22 and 2022/23, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit. As set out within this report we have also not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over closing balances and in-year transactions.

Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

The table overleaf summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the Governance and Assurance Committee the level of assurance that has been obtained as a result of the financial statements audit. We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Key:

We have been able to complete our audit procedures and obtain assurances over the relevant account or disclosure.

We have completed some procedures and obtained some assurances over the relevant account or disclosure, however either due to not being able to complete other procedures or the impact of not having assurance over opening balances we have not obtained assurance over the relevant account or disclosure as a whole.

We have not been able to complete our procedures and no assurance over the relevant account or disclosure has been obtained.

Appendix A – Summary of Assurances (cont'd)

Account area	Assurance rating	Summary of work performed
Long-term assets		
Property, Plant and Equipment ('PPE') and Investment Properties	None	We have completed testing of the 2023/24 valuation, existence and the Council's right to recognize the assets for a sample of assets revalued using depreciated replacement cost, and test of existence of investment property in 2023/24. However, due to the challenges noted in the audit of property, plant and equipment and other capital assets, we have not been able to complete the rest of the planned procedures in this area and have therefore not obtained assurance over the balance at 31 March 2024.
Infrastructure Assets	Partial	We have completed the testing of additions and completed the recalculation of depreciation for 2023/24 using balances in the fixed assets register. However, since we have no assurance over other capital assets, we do not have sufficient assurance over the amount of depreciation for 2023/24. We have also not been able to perform the test of existence for this asset category and have therefore not obtained assurance over the balance at 31 March 2024.
Intangible Assets	Partial	We have completed the test of existence and recalculation of amortization for 2023/24 using balances in the assets register. However, we do not have sufficient assurance over the amount of amortization for 2023/24. Due to the challenges noted in the audit of property, plant and equipment and other capital assets, we have not been able to complete the test of additions in this area and have therefore not obtained assurance over the balance at 31 March 2024.
Long Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Current assets		
Assets held for sale	Substantial	We were able to complete the test of valuation, existence, rights and obligation, classification for this category of assets.
Short Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix A – Summary of Assurances (cont'd)

Account area	Assurance rating	Summary of work performed
Liabilities and reserves		
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Creditors (short and long term)	None	We have undertaken various audit procedures in this area, However, numerous misstatements have been identified, such that we are unable to obtain assurance over the completeness and accuracy of the creditors balance at 31 March 2024.
Provisions (short and long term)	Partial	We have completed the planned procedures in this area except for the search for unrecorded provisions where we identified numerous misstatements such that we are unable to obtain assurance over the completeness and accuracy of the provisions balance as at 31 March 2024.
Grants received in advance (capital and revenue)	Partial	We have undertaken the initially planned procedures in this area. However, we were not able to complete the planned procedures for capital additions for which some of the grants were utilised for during the year and therefore we were not able to obtain full assurance over this area.
Local Government Pension Scheme Liability	Substantial	We have completed the planned procedures in this area to obtain assurance over the balances as of 31 March 2024.
Private financing initiatives	Substantial	We have completed the planned procedures in this area to obtain assurance over the balances as of 31 March 2024.
Reserves	None	We do not have assurance over reserve balances at 31 March 2024.

Appendix A – Summary of Assurances (cont'd)

Account area`	Assurance rating	Summary of work performed
Expenditures		
Employee benefits expenses	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the amount in 2023/24.
Other Services expenses (Housing benefits expenditure)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the amount in 2023/24.
Other Services expenses (other than HRA and housing benefits expenditure)	None	We do not have assurance over this balances at 31 March 2024.
HRA expenditure	Partial	We have completed all planned sample testing of 2023/24 transactions for expenditures the following expenditures: • Repairs and maintenance; • Supervision and management; • Rents, rates, taxes and other charges; and • Discretionary housing benefit. However, we have no assurance over property, plant and equipment; we obtained no assurance over depreciation and impairment of fixed assets expenditure.
Depreciation, amortization, impairment	None	We have completed the recalculation of depreciation and amortization expense for 2023/24 using balances in the fixed assets register. However, since we have no assurance over the balance of PPE and other capital assets, we do not have sufficient assurance over this amount for 2023/24.
Interest and financing payments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the amount in 2023/24.
Precept and levies	Partial	We have completed the testing of levies which forms part of the account. However, we were not able to obtain assurance over gain or losses on disposal of non-current assets. Hence, we are unable to obtain full assurance over the amount in 2023/24.
Loss on the disposal of assets	None	We have not been able to complete all the planned procedures in this area and have therefore not obtained assurance over the balance at 31 March 2024.

Appendix A – Summary of Assurances (cont'd)

Account area`	Assurance rating	Summary of work performed
Income		
Fees, charges and other service income (other than HRA)	None	We have not been able to complete all the planned procedures in this area.
HRA income	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the disclosure in 2023/24.
Interest and Investment income	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the amount in 2023/24.
Income from Council tax and non-domestic rates	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the amount in 2023/24.
Government grants and contribution	Partial	We have completed our planned audit procedures in this area. However, since we were not able to complete the testing of other expenditure due to insufficient evidence provided by management, we were not able to obtain sufficient assurance the amount in 2023/24. This is because recognition of some grants as revenue depends on the amount of expenditure already incurred in line with the purpose of the grant.
Other comprehensive Income or expenditure		
Other comprehensive income – surplus/deficit on revaluation of non-current assets	None	We have not been able to complete all the planned procedures in this area and have therefore not obtained assurance over the balance at 31 March 2024.
Other comprehensive income – remeasurement of the net defined benefit liability	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the amount in 2023/24.
Disclosures		
Expenditure and funding analysis	None	We were not able to complete testing of this area.

Appendix A – Summary of Assurances (cont'd)

Account area`	Assurance rating	Summary of work performed
Disclosures (continued)		
Financial instruments	None	We were not able to complete testing of this area.
Termination benefits	Partial	We did not complete the planned procedures in this area due to management's failure to provide sufficient information to complete the testing.
Officers remuneration	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the disclosure in 2023/24.
All other disclosures	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the disclosure in 2023/24.
Collection Fund	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the disclosure in 2023/24.
HRA disclosures	Partial	We performed all the required procedures in this area, and have assurance over the following disclosures: • Rent income • Rent arrears • HRA share of contribution to or from the pension reserve However, we don't have sufficient assurance over the following: • Movement on the HRA statement; movement in earmarked reserves – since we have no assurance over the balance of HRA reserves at the end of the previous year • Housing stock; Balance sheet value of HRA assets; depreciation and impairment charges; major repairs reserve – since we have no assurance over council dwellings • HRA capital financing – since we don't have assurance over the capital spend on PPE • Capital receipts – since we don't have assurance over disposals of PPE nor capital receipts for the year
Cash flows statement	None	We completed the work in this area. Any differences noted in the note have been agreed by management to correct. However, since we don't have assurance over the amounts related to additions and disposals of PPE, as well as the increase/decrease in balance of inventories, debtors, creditors and other assets that impact the movement in cash due to operating activities, we have no assurance over the statement and supporting disclosure.
Others		
Journals	Partial	We completed the initially required procedures in this area. However, considering that we were not able to complete the planned procedures to address the risk of inappropriate capitalisation of revenue expenditure, as well as the other areas of audit work incomplete as set out in this appendix, we were not able to obtain full assurance over this area.

Appendix B – Audit approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix C – Summary of communications

Summary of communications

Date	Nature	Summary
23 April 2024	Letter to management	Sent letter to management to inquire about the management processes and arrangements at the Council for 2023/24
25 April 2024	Governance and Assurance Committee Meeting	The partner in charge of the engagement, along with senior members of the audit team, attended the G&A Committee meeting to present the draft audit plan.
15 July 2024	Governance and Assurance Committee Meeting	The partner in charge of the engagement, along with senior members of the audit team, attended the G&A Committee meeting to present the final audit plan.
16 August 2024	Letter from management	Management sent their response to the letter we sent on 23 April 2024
23 October 2024	Meeting with management	The partner in charge of the engagement, along the senior manager, manager and senior-in-charge of the audit team had a meeting with management to discuss audit priorities.
30 October 2024	Meeting with management	The partner in charge of the engagement, along the senior manager, manager and senior-in-charge of the audit team had a meeting with management to discuss audit priorities.
13 November 2024	Meeting with management	The manager of the audit had a meeting with management to discuss value for money.
5 December 2024	Governance and Assurance Committee Meeting	The partner in charge of the engagement, along with senior members of the audit team, attended the G&A Committee meeting to present the provisional audit results report.
31 January 2025	Meeting with management	The manager of the audit had a meeting with management to discuss status of audit.
20 February	Governance and Assurance Committee Meeting	The partner in charge of the engagement, along with senior members of the audit team, attended the G&A Committee meeting to present the final audit results report.

In addition to the above specific meetings and letters, the partner in charge and audit team met with the s. 151 officer and Chief Accountant at various stages throughout the year to discuss the audit updates and audit findings.

Appendix D - Required communications with the Governance and Assurance Committee

Required communications with the Governance and Assurance Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Governance and Assurance 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	Communication of: ▸ The planned scope and timing of the audit ▸ Any limitations on the planned work to be undertaken ▸ The planned use of internal audit ▸ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional audit planning report - April 2024 meeting of the Governance and Assurance Committee Final audit planning report – July 2024 meeting of the Governance and Assurance Committee

Appendix D - Required communications with the Governance and Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the Governance and Assurance Committee include: ▸ A declaration of independence ▸ The identity of each key audit partner ▸ The use of non-EY firms or external specialists and confirmation of their independence ▸ The nature, frequency and extent of communications ▸ A description of the scope and timing of the audit ▸ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▸ Materiality ▸ Any going concern issues identified ▸ Any significant deficiencies in internal control identified and whether they have been resolved by management ▸ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Governance and Assurance Committee ▸ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▸ The valuation methods used and any changes to these including first year audits ▸ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▸ The identification of any non-EY component teams used in the group audit ▸ The completeness of documentation and explanations received ▸ Any significant difficulties encountered in the course of the audit ▸ Any significant matters discussed with management ▸ Any other matters considered significant	Provisional audit planning report – April 2024 meeting of the Governance and Assurance Committee Audit planning report – July 2024 meeting of the Governance and Assurance Committee and Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report – February 2025 meeting of the Governance and Assurance Committee

Appendix D - Required communications with the Governance and Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report - February 2025 meeting of the Governance and Assurance Committee
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report - February 2025 meeting of the Governance and Assurance Committee
Fraud	▸ Enquiries of the Governance and Assurance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▸ Any other matters related to fraud, relevant to Governance and Assurance Committee responsibility.	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report - February 2025 meeting of the Governance and Assurance Committee

Appendix D - Required communications with the Governance and Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report – February 2025 meeting of the Governance and Assurance Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. For audits of listed entities and PIEs for periods beginning on or after 15 December 2022 ▸ Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	Provisional audit planning report - April 2024 meeting of the Governance and Assurance Committee Audit planning report – July 2024 meeting of the Governance and Assurance Committee and Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report – February 2025 meeting of the Governance and Assurance Committee

Appendix D - Required communications with the Governance and Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The Governance and Assurance Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report - February 2025 meeting of the Governance and Assurance Committee
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Governance and Assurance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Assurance Committee may be aware of	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report - February 2025 meeting of the Governance and Assurance Committee
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report - February 2025 meeting of the Governance and Assurance Committee

Appendix D - Required communications with the Governance and Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Not applicable for 23/24
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report – February 2025 meeting of the Governance and Assurance Committee
System of quality management	▸ How the system of quality management (SQM) supports the consistent performance of a quality audit	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report – February 2025 meeting of the Governance and Assurance Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Provisional audit results report - December 2024 meeting of the Governance and Assurance Committee Final audit results report – February 2025 meeting of the Governance and Assurance Committee
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Final audit results report – February 2025 meeting of the Governance and Assurance Committee

Appendix E – Outstanding matters

Outstanding matters

No outstanding items.

Appendix F – Management representation letter

Management representation letter

Management Representation Letter

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Redbridge ("the Authority") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of London Borough of Redbridge as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange other than the RPI linked bond listed on the London Stock Exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Management Representation Letter

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
    - involving financial improprieties;
    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
    - involving management, or employees who have significant roles in internal controls, or others; or
    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the financial statements.
4. We have made available to you all minutes of the meetings of the Authority and the Council, Cabinet and the Governance and Assurance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 20 February 2025.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
7. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter

Management Representation Letter

8. From 11 December 2024 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note *[X]* to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note *[X]* to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than those described in Note *[X]* to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 2023/24, including the Narrative Report and the Annual Governance Statement.
2. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.
3. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

Management representation letter

Management Representation Letter

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note *[X]* to the financial statements, we have no other line of credit arrangements.

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of other land and buildings, surplus assets and investment properties, the pension fund valuations and insurance provisions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates - other land and buildings, surplus assets and investment property valuations, pension valuations and Insurance provisions

1. We confirm that the significant judgments made in making the other land and buildings, surplus assets and investment property valuations, pension valuations and Insurance provisions estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the other land and buildings, surplus assets and investment property valuations, pension valuations and Insurance provisions estimates.
3. We confirm that the significant assumptions used in making the other land and buildings, surplus assets and investment property valuations, pension valuations and Insurance provisions estimates appropriately reflect our intent and ability to continue to provide services on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the other land and buildings, surplus assets and investment property valuations, pension valuations and Insurance provisions estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Management Representation Letter

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

____

Corporate Director of Resources

Date

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Chairman of the Governance and Assurance Committee

Date

UKC-024050 (UK) 07/22. Creative UK.

ED None