



Audit and Governance Committee

Date: Monday, 23 September 2024
Time: 6.30 pm
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Members (Quorum: 3)

Gary Suttle (Chair), Spencer Flower (Vice-Chair), Belinda Bawden, Matt Bell, Neil Eysenck, Jill Haynes, Alex Fuhrmann, Andrew Parry, Andy Todd and Ben Wilson

Co-opted Members: R Ong and S Roach.

Chief Executive: Matt Prosser, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic Services Meeting Contact john.miles@dorsetcouncil.gov.uk

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Agenda

Item	Pages
14. URGENT ITEMS	
To consider any items of business which the Chair has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.	
a) Status Update Report to the Audit and Governance Committee on the 2021/22 Audit	3 - 16
To receive an update by Ian Howse, Deloitte	
b) Planning Report to the Audit and Governance Committee on the 2022/23 Audit – September 2024	17 - 36
To receive a report by Ian Howse, Deloitte	

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Status update report to the Audit and Governance Committee
on the 2021/22 audit

Issued September 13 for the Audit and Governance Committee meeting on 23 September 2024

Partner introduction

The key messages in this report

I have pleasure in presenting our status report to the Audit and Governance Committee for the 2021/22 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2024. I would like to draw your attention to the key messages of this paper:

Status of the audit

Our audit testing is progressing well. However, before we conclude our audit, we have a number of procedures that we are required to perform. We have listed below the outstanding procedures relating to our significant risk testing:

- **Management override of controls** – We have finalised our substantive testing and this is progressing through our review process.
- **Completeness and accuracy of accrued expenditure** – We have finalised our substantive testing and this is progressing through our review process.
- **Capitalisation of infrastructure and assets under construction** – We have finalised our substantive testing and this is progressing through our review process.
- **Property valuations** - We are finalising our testing of the Council's property valuations and progressing through our review process.
- **Accounting for property valuations** – We are finalising our testing of the Council's accounting for property valuations and progressing through our review process.
- **Valuation of the pension fund liability** – We have been provided responses in relation to the settlement events and our pension experts are completing their assessments and reviews.

Other principal items to complete include our reviews of the updated financial statements, receipt of signed management representation letter, our review of events since 31 March 2022 through to the date of signing.

In addition to the significant risk areas, our audit testing is currently progressing through our internal quality reviews. This process will result in additional queries being raised on the testing that has been performed. We will provide any additional queries that require management's input promptly. However, until this process is complete we are unable to finalise our audit.

Partner introduction

The key messages in this report (continued)

Value for money

Our Value for Money work is ongoing, and will be reported in our Auditor's Annual Report, which will be released in a combined report with the 2020/21, 2021/22 and 2022/23 years, in line with the National Audit Office Auditor Guidance Note 3.

From our work to date, we have not identified any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

Our opinion will state that our Value for Money work is ongoing.

Duties as public auditor

We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

Ian Howse
Lead audit partner

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work to date on key audit judgements and our observations on the quality of your draft Annual Report.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Cardiff | 13 September 2024

Appendix

Page 7



Prior year control findings

Update on the control findings previously raised on the 2020/21 ISA 260

Our 13 March 2024 report to the Audit and Governance Committee on the 2020/21 audit included details of a number of internal control and risk management findings, and our recommendations to address them. Through our audit procedures for the 2021/22 audit we have noted the following updates to these findings.

Control recommendation	Year first communicated	Management's response and remediation plan	Update
Additions provided for internal valuation/impairment review out of date. It is recommended that up to date information should be provided to inform asset valuations and reviews of asset values.	2022	Future processes will ensure that the Assets & Property and Finance teams have information on additions for future property asset valuations. There will be version control of detail for 2021/22, with the process overseen by the Service Manager Finance (Corporate).	Noted No equivalent issues noted from our 2021/22 substantive testing.
Consistency of property references. Each asset should have a single consistent reference that clearly identifies which asset ties through the information held within the property systems and the general ledger.	2022	A reconciliation of property asset records held in the Assets & Property and Finance teams is being worked through for 2021/22 closedown, referencing a consistent Unique Property Reference Number (UPRN) for each property asset. Service Manager Finance (Corporate)	Closed Our substantive sample testing of the property valuation accounting entries has confirmed each asset valued has a UPRN which ties through into the Council's accounting records.
PPE Note reconciliation and review The PPE Note should be clearly reconciled to the underlying information, such as the asset history sheet from the ledger, the PFI asset listing, and leased asset listing. The reconciliation should then be reviewed by a more senior member of the finance team.	2022	Process will be reviewed and updated for 2021/22 accounts, e.g., links to reports extracted from SAP. Service Manager Finance (Corporate)	We are finalising our testing of the Council's accounting for property valuations and will update on this in our next report to the Committee.

Prior year control findings

Update on the control findings previously raised on the 2020/21 ISA 260

Control recommendation	Year first communicated	Management's response and remediation plan	Update
<p>Coordination between Dorset Council's finance and property team.</p> <p>Increased coordination between finance (capital accountant) and property to ensure the assets valued are appropriate.</p>	2022	<p>Data from legacy systems for predecessor councils is being brought together into a single consolidated property asset database, which should improve this position.</p> <p>Service Manager, Asset Management</p>	<p>Noted</p> <p>No similar issues have been highlighted through our 2021/22 substantive audit work.</p>
<p>Revaluation entries in the general ledger are not reconciled</p> <p>It is recommended that the Council reconcile revaluation entries in the general ledger.</p>	2022	<p>Noted. Management will ensure reconciliation of valuations into the general ledger is carried out as from closing the 2021/22 accounts</p> <p>Service Manager Finance (Corporate)</p>	<p>We are finalising our testing of the Council's accounting for property valuations and will update on this in our next report to the Committee.</p>
<p>Farm Asset Valuations posted at the wrong date.</p> <p>Information produced by the internal valuer should be clearer.</p> <p>There should be increased communication and cooperation between property services and finance in preparing and completing the valuations.</p> <p>The valuation should be posted into the ledger effective at the date the properties have been valued.</p>	2022	<p>Noted, one off error. Processes updated to avoid happening again in future.</p> <p>Service Manager Finance (Corporate)</p>	<p>Closed</p> <p>The 2021/22 farm valuation was correctly posted effective 1 January 2022.</p>

Prior year control findings

Update on the control findings previously raised on the 2020/21 ISA 260

Control recommendation	Year first communicated	Management's response and remediation plan	Update
<p>Reconciliation of revaluation entries back to the external valuer's report</p> <p>It is recommended that the Council reconciles revaluation entries back to the external valuer's report.</p>	2022	<p>Finance and Assets & Property teams will work more closely together to improve, cross check and validate the valuation report, with better version control as part of revised processes.</p> <p>Service Manager Finance (Corporate)</p>	<p>We are finalising our testing of the Council's accounting for property valuations and will update on this in our next report to the Committee.</p>
<p>The finance function should be involved in determining the assets to be valued</p> <p>The finance function/capital accountant should be involved in determining the assets to be valued so that these are relevant and applicable to the exercise undertaken</p>	2023	<p>Full asset valuation taking place for 2021/22 and work being done to reconcile the information from the property systems and the finance system to enable a consistent view and understanding of the Council's assets.</p>	<p>Noted</p> <p>Full asset valuation took place in 2021/22. Council should include the finance function in determining assets to be valued in future years.</p>
<p>Historic debt has not been written off</p> <p>It is recommended that the Council undertakes a tidy up exercise of the receivables balance to identify and write off historic debt where income is not expected to be received.</p>	2022	<p>This was a one off. The write off process continues to be operational and is driven by Services. A review will be undertaken following the completion of a SWAP audit during financial year 2022/23 to clear historic debt.</p> <p>Service Manager Finance (Corporate)</p>	<p>Reraised</p> <p>Not actioned for 2021/22 as per management response</p>

Prior year control findings

Update on the control findings previously raised on the 2020/21 ISA 260

Control recommendation	Year first communicated	Management's response and remediation plan	Update
Provision for Bad Debt Account Codes It is recommended that the Council undertakes a housekeeping exercise to clear these balances.	2022	A review of historic debt used in the bad debt provision will be completed during financial year 2022/23. Service Manager Finance (Corporate)	Reraised Not actioned for 2021/22 as per management response
Covid-19 Grant Treatment. That the Council documents clearly against the relevant standards why they have adopted their approach. The Council should clearly set out their assessment of the treatment of grants against the relevant accounting standards and how this assessed treatment will be processed through their general ledger.	2022	A number of covid grants were received during year. Formal guidance on accounting treatment wasn't received from Deloitte when queried as other external auditors provided advice in this area. A working paper was provided so advice to be sought from Deloitte on the information they require. Head of Strategic Finance	Closed Management's assessment for 2021/22 set out the accounting treatment adopted, linked through to the underlying grant offer letters, and provided notes to explain the treatment applied.

Prior year control findings

Update on the control findings previously raised on the 2020/21 ISA 260

Control recommendation	Year first communicated	Management's response and remediation plan	Update
<p>Internal Recharges Misclassification.</p> <p>Appropriate training and guidance should be implemented to ensure that individuals are able to post accurately into the general ledger. Suitable oversight should be in place to monitor and determine if individuals are adequately trained to be given access to post journals. Journal review controls should be improved as this was not picked up although both journals posted exceeded the £50k threshold for journal review.</p>	2022	<p>Noted. Guidance will be reissued to aim to prevent future occurrence.</p> <p>Service Manager Finance (Corporate)</p>	<p>Noted</p> <p>No equivalent issues noted from our 2021/22 substantive testing.</p>
<p>NNDR Appeals Provision methodology.</p> <p>The Council should continue to re-assess the NNDR provision and ideally it should be based on the outcomes of decided cases.</p>	2022	<p>The Council currently assess the NNDR provision on regular basis and decides on the provision to make in the accounts on annual basis. A detailed working paper was prepared and provided on 21st May 2021.</p> <p>Head of Strategic Finance.</p>	<p>Reraised</p> <p>continue to re-assess the NNDR provision and ideally it should be based on the outcomes of decided cases.</p>

Page 12

Prior year control findings

Update on the control findings previously raised on the 2020/21 ISA 260

Control recommendation	Year first communicated	Management's response and remediation plan	Update
<p>Journal review process for over £50k postings allows for self-review</p> <p>Allocate a person to maintain and perform a review of the over £50k review logs to ensure there have been no instances of self-authorisation.</p>	2022	<p>Occurred before procedure changed as from October '21, further improvement will be sought to ensure that all journals >£50k have been reviewed by an independent person. In all cases for journals >£50k, review will be undertaken in a timely manner, by a suitably responsible officer with appropriate knowledge.</p> <p>Head of Strategic Finance</p>	<p>Closed</p> <p>The procedure has been in place from 2021/22.</p>
<p>Authorisation of Credit Notes</p> <p>The Council should continue to review their control environment and ensure the appropriate authorization process takes place.</p>	2023	<p>Business areas raise Credit Notes in DES and these will always go to the Credit Control Team for authorisation. There is a possibility that the credit note in question was raised in SAP (limited availability across the authority, mainly limited to financial services) for which the authorisation process can be circumvented.</p>	<p>Noted</p> <p>No equivalent issues noted from our 2021/22 substantive testing.</p>
<p>Expenditure Sample Mismatch</p> <p>The Council should continue to review their control environment and ensure the appropriate matching takes place.</p>	2023	<p>The Senior Operational Finance Officer has explained this is an isolated error and errors like this are infrequent. Given the value of the mismatch, this has been assessed as not significant.</p>	<p>Noted</p> <p>No equivalent issues noted from our 2021/22 substantive testing.</p>

Prior year control findings

Update on the control findings previously raised on the 2020/21 ISA 260

Control recommendation	Year first communicated	Management's response and remediation plan	Update
<p>PFI Accounting – Overpayment & Controls around accounting for PFI</p> <p>N/A - As this has been adjusted going forward and more controls are in place to ensure this doesn't happen again</p>	2023	New controls and checks are now in place. (Head of Strategic Finance)	Closed Actioned by the Council.
<p>Inconsistent Frequency of Non-Trade Payment Control</p> <p>Control processes should be defined and carried out on a consistent basis.</p>	2023	This process is now managed through the MS Teams page for closedown, which all relevant finance staff have access to and are notified of messages and posts. Non-trade payment reports are generated and posted by Corporate Finance for payments in the period after the year end date until a deadline determined in the closedown timetable, usually about mid-May.	Noted Process remained unchanged for 2021/22.
<p>Insufficient audit evidence</p> <p>Capital contributions and grants should be clearly documented and agreed with third parties, and documentation supporting the treatment of capital grants and contributions should be retained.</p>	2023	Dorset Council ensure to keep records relating to capital grants received, and Section 106/CIL agreements which are used for capital financing. The Capital Team at Dorset Council now has considerably more resource and greater oversight of such items. Going forwards, paperwork will be kept in a central folder to assist with any potential future audit queries.	Noted No equivalent issues noted from our 2021/22 substantive testing.

Page 4

Prior year control findings

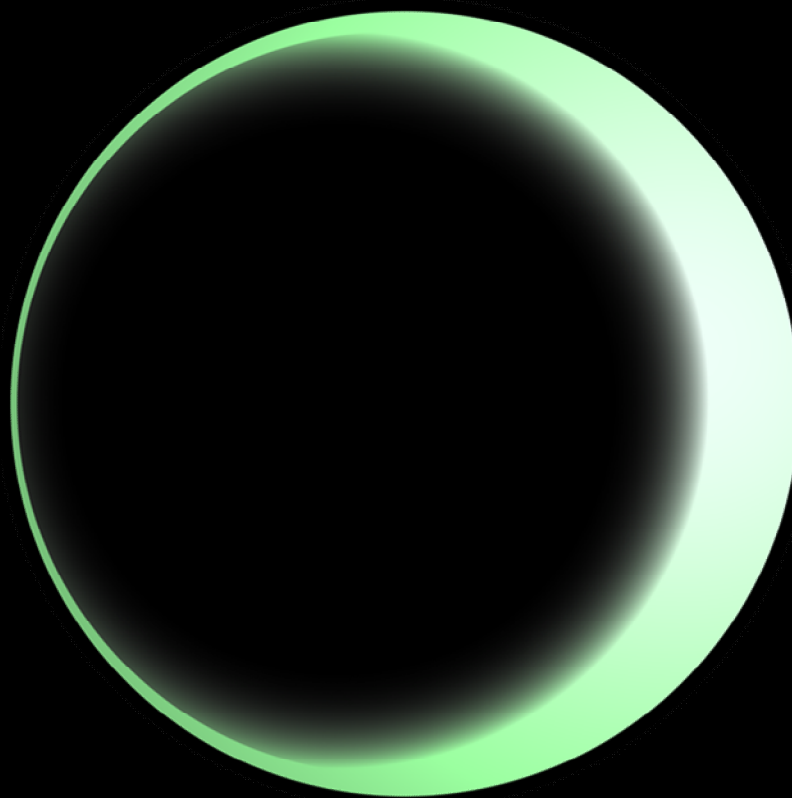
Update on the control findings previously raised on the 2020/21 ISA 260

Control recommendation	Year first communicated	Management's response and remediation plan	Update
Infrastructure asset useful lives The Council reviews the UELs applied in line with the CIPFA bulletin and SI.	2024	UELs will be reviewed on annual basis by both the finance and the property team to ensure they are materially correct.	Closed Actioned by the Council

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Dorset Council

Planning report to the Audit and Governance Committee on the 2022/23 audit – September 2024

Contents

01 Planning report

Impact of the backstop provisions	3
Responsibilities of the Council	5
Overview of planned financial statements procedures	7
Materiality	10
Value for Money arrangements	11
Purpose of our report and responsibility statement	12

02 Appendices

Minimum procedures expected of the Council prior to work on financial statements	14
Prior year control findings	15
Our other responsibilities explained	16
Independence and fees	18

Impact of the backstop provisions

The Government has announced a legislative backstop date of 13 December 2024

This report sets out how the accounts and audit process will operate for Dorset Council (“the Council”) for the financial year 2022/23, in accordance with the “backstop” provisions that the Ministry for Housing, Communities and Local Government (“MHCLG”) and the National Audit Office (“NAO”) have announced and are in the process of enacting. Although Parliamentary processes mean these provisions are not yet published in their final form, and the effective date of legislation when opinions can be issued has not yet been confirmed, we have set out our understanding of their impact and the plan for the accounts and audit processes required to be completed before at the latest 13 December 2024.

Impact of the backstop provisions

Under the backstop provisions, local authorities will be required to publish their financial statements and audit report by the backstop date. For financial years up to 31 March 2023, this will be 13 December 2024.

Due to the time available to complete the audit of the Council for the financial year 2022/23, it will not be possible to complete all audit work required under auditing standards before that date.

Under auditing standards, and as envisaged in the backstop proposals, we expect that we will need to include in our audit report a disclaimer of opinion. This is because we will be unable to obtain sufficient appropriate audit evidence by the backstop date, and that the areas affected would be so material and so pervasive that we would be unable to form a view as to whether the financial statements give a true and fair view. Our audit report will state that this disclaimer of opinion is due to the backstop provisions.

Actions required of the Council

The backstop provisions do not affect the responsibilities of the Council for the preparation, publication and approval of the financial statements. Auditors are only able to provide an audit report, even if modified or disclaimed, on a set of accounts which have been certified by the Section 151 Officer, subject to the statutory 30 working day inspection period and approved as final by those charged with governance.

The Council has already published the draft financial statements and has completed the public inspection period. As detailed on page 6, the published financial statements may need to be updated for any changes that are made to the 2021/22 financial statements, as well as to correct for any known errors in the draft 2022/23 financial statements if identified. These matters will need to be addressed before we can perform our procedures set out below.

Impact of the backstop provisions (continued)

Impact upon our audit procedures

Actions required by the auditor

There are three principal responsibilities of a local authority auditor:

1. The audit of the Council's Financial Statements;
2. Work in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources ("Value for Money"); and
3. Consideration of any objections raised by local electors.

Our understanding is that, under the backstop provisions, the auditor will need to complete their consideration of any objections, which may be material to the financial statements, and either complete their work in respect of Value for Money arrangements, or determine that any remaining work will not have a material impact on the financial statements, prior to issuing their audit opinion.

We have set out on pages 7 to 9 our planned procedures in respect of the financial statements audit, and on page 11 in respect of our Value for Money responsibilities.

We have not received any objections from local electors, and therefore no work is required in relation to objections.

If we identify any misstatements or disclosure deficiencies from our procedures, we will communicate these to management, and will include any uncorrected items in our final report to the Audit and Governance Committee. If there are any known material misstatements, then we would expect these to be corrected in the final financial statements. If we are aware of any material uncorrected misstatements, we will need to include details of these misstatements in our audit opinion, in addition to our disclaimer of opinion.

We will also issue an Auditor's Annual Report, including our Value for Money commentary, which we will issue on a combined basis covering 2020/21, 2021/22 and 2022/23.

Interaction with the incoming auditor and the 2023/24 accounts and audit process

The Council published its draft 2023/24 financial statements for inspection on 22 July 2024 compared to a required publication date of 30 June 2024.

We will co-operate with Grant Thornton, your appointed auditor for 2023/24 onwards, in the handover of the audit of the Council. We have met with them and management to discuss the interaction of their planned timing of work with our own and this is reflected in our workplan.

Responsibilities of the Council

The Council remains responsible for the preparation, publication and approval of the financial statements

Responsibilities of the Council

The Council is responsible for ensuring that there is an appropriate internal control environment that enables the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Prior to publication of the final signed financial statements, the Council needs to have:

- Prepared the financial statements;
- Completed internal reviews and other procedures required as part of the Council's internal controls over financial reporting (with recommended minimum checks detailed on page 14);
- Published the draft financial statements for public inspection;
- Completed the 30 working day public inspection period;
- Amended the draft financial statements for any material matters identified or which the Council considers requires correction; and
- Approved the financial statements.

The table on the next page summarises the status of preparation and publication for inspection of the financial statements for 2021/22 and 2022/23.

The Council remains responsible for preparation of financial statements that complies with the requirements of the CIPFA Code of Practice on Local Authority Accounting and which gives a true and fair view. If misstatements, disclosure deficiencies, or other issues are identified in the draft financial statements, these will potentially require investigation and correction by management before approval of the final financial statements, and therefore any issues will need to be considered and addressed on a timely basis to achieve the planned timetable to the backstop date.

Responsibilities of the Council (continued)

The table below summarises the status of preparation and publication for inspection of the open years of account:

	2021/22	2022/23
Draft accounts prepared	Yes	Yes
Draft accounts consistent with the prior year audited accounts	Yes	The prior year audit is ongoing and the draft financial statements may need amending if there are any further adjustments to the 2021/22 financial statements.
Other known issues with draft of accounts	No	No
Updated draft required before Deloitte can begin audit procedures	No	No
Publication and inspection process		
Accounts published for public inspection	Yes	Yes
Public inspection period completed	Yes	Yes
Objections received	No	No

MHCLG has stated that they expect Councils have sufficient internal controls and processes to provide assurance to the Section 151 Officer that the financial statements present a true and fair view, and enable approval of the financial statements. In light of the misstatements and control deficiencies identified in previous audits, the Audit and Governance Committee may wish to receive a paper from management on the assurances in place, including over significant estimates and judgements, as part of the approval of the final financial statements.

Overview of planned financial statements procedures

Overview of planned procedures

Due to the time available to complete the audit of the Council for the financial year 2022/23, it will not be possible to complete all audit work required under auditing standards before that date. We have set out in the table below an overview of the key aspects of the work that we plan to complete:

Area	Planned procedures
Initial planning activities	<p>We have completed our overall assessment of engagement risk, which will also inform our planned Value for Money procedures.</p> <p>We have performed our engagement acceptance and continuance procedures, including in respect of independence.</p> <p>We have determined materiality for the audit, as detailed on page 10.</p>
Risk assessment procedures, including understanding of the Council and its environment, and of internal control.	<p>We have an existing understanding of the Council and its environment, and of its internal control, from previous years' audits.</p> <p>For 2022/23, there is insufficient time prior to the backstop date to complete the audit testing required to respond to identified risks of material misstatement. We therefore have not completed, nor plan to complete, all risk assessment procedures as required by ISAs (UK).</p> <p>As part of our procedures on the financial statements (discussed on the next page), we will perform overall analytical procedures on the draft financial statements.</p>
Fraud enquiries	<p>We plan to complete the fraud enquiries required under ISA (UK) 240, as detailed on page 18.</p>
Duties as public auditor	<p>No objections have been received in respect of either the 2021/22 or 2022/23 financial statements. We will consider whether any matters are identified through our audit requiring the exercise of any of our other audit powers under the Local Audit and Accountability Act 2014.</p>
Overall audit procedures that also impact upon our Value for Money procedures	<p>There are a number of areas of audit procedures which also inform our Value for Money work. We will complete procedures in these areas including:</p> <ul style="list-style-type: none">• Review of minutes of the Council and its principal committees; and• Review of the work of internal audit.
Annual Governance Statement	<p>We will review the Council's Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work, including from our Value for Money procedures.</p>

Overview of planned financial statements procedures (continued)

Area	Planned procedures
Significant risks	<p>We have not completed the risk assessment procedures required by the ISAs to identify any significant risks for the 2022/23 financial statements, and as noted on the previous page do not anticipate doing so as there will not be sufficient time to complete the audit testing required to respond to identified risks of material misstatement.</p> <p>The significant risks we identified in respect of the 2021/22 audit were:</p> <ul style="list-style-type: none">• Management override of controls (a presumed risk for all audits);• Completeness and accuracy of accrued expenditure;• Capitalisation of infrastructure and assets under construction expenditure;• Property valuations;• Accounting for the property valuations; and• Pension liability valuation. <p>We rebutted the presumed risk of fraud in revenue recognition for 2021/22 but have not determined whether this would be a risk for subsequent years. The Audit and Governance Committee may wish to consider the internal assurances in place, within the Council, in respect of these risks for the 2022/23 financial statements.</p>
Financial statements	<p>We will obtain an understanding of management’s process for the preparation of the financial statements, including any updates to the originally published accounts necessary for findings from previous audits.</p> <p>We will review the draft financial statements, including performing overall analytical procedures.</p> <p>We will agree the primary statements (comprehensive income and expenditure statement, balance sheet, statement of cashflows, and movement in reserves statement) and the collection fund to supporting accounting records.</p> <p>We will agree the opening balances and comparative figures to the prior year financial statements.</p> <p>We will perform a “call and cast” of the financial statements for internal consistency and arithmetic accuracy.</p> <p>We will review the financial statements against the requirements of the CIPFA disclosure checklist and International Financial Reporting Standards.</p> <p>If we identify any apparent errors, omissions, or inconsistencies that are not clearly trivial, we will discuss these with management and request correction of identified misstatements (including disclosure deficiencies). We will report uncorrected misstatements, or corrected misstatements that we consider to be significant, to the Audit and Governance Committee.</p>

Overview of planned financial statements procedures (continued)

Area	Planned procedures
Testing of account balances, classes of transactions, and disclosures	We do not plan to perform our audit testing of underlying balances, transactions or disclosures. As noted previously, there is not sufficient time to complete this work before the backstop date to be able to form an audit opinion.
Compliance with laws and regulations	We will inquire of management and those charged with governance whether the Council is in compliance with applicable laws and regulations. We will inspect any correspondence with regulators.
Evaluation of misstatements	We will evaluate any misstatements and disclosure deficiencies identified, and consider whether any uncorrected items are individually or in aggregate material to the financial statements.
Internal control findings	We will not be performing our usual procedures to understand the Council's internal controls, and will be not be performing our audit testing of balances, which are typically how we identify control findings. However, if we identify any matters through our planned procedures, we will communicate them to management and the Audit and Governance Committee, in accordance with ISA (UK) 265. We have reported a number of control deficiencies and recommendations to the Council from our previous audits, most recently in our report of 12 September 2024 on the 2021/22 audit, which we have summarised on page 15. Given the extent of planned procedures, we will not be evaluating whether management have implemented their responses to these recommendations. The Audit and Governance Committee may wish to receive an update from management on progress against our previous recommendations as part of their approval of the financial statements.
Subsequent events	We will inquire of management whether there are any subsequent events that affect the 2022/23 financial statements, and if so whether and how they have been reflected in the financial statements.
Reporting to those charged with governance	We have included in this planning report those matters which we are required to report to you under auditing standards. We will include in our final report our findings from the procedures performed, and any other matters we consider we are required to report to the Audit and Governance Committee. As we will not complete our usual audit procedures, we do not anticipate we will form a view on significant qualitative aspects of the entity's accounting practices (including accounting policies, accounting estimates and statement of account disclosures), and so will not report to you in respect of these matters.

Materiality

Our approach to materiality

Determination of materiality

- Although the extent of planned procedures does not include testing of balances, we are required to determine materiality for the purposes of evaluation of any misstatements identified.

Basis of our materiality benchmark

- Based on our professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements, the key audit partner has determined materiality for the Council as £15.4m for the 2022/23 audit.
- We have used 1.7% of gross expenditure as stated in the published unaudited financial statements as the benchmark for determining materiality. This is in line with the previous years audit.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.8m.
- We will report to you misstatements below this threshold if we consider them to be material by nature.

Value for Money arrangements

Any significant weaknesses will be included in our audit report. Our VfM commentary will be reported in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the revised requirements of the Code of Audit Practice and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. We understand that there will be a change in the Value for Money requirements, which will reduce the number of criteria we are required to report on to two (financial sustainability and governance). The reporting criterion of improving economy, efficiency and effectiveness will be removed for audits up to and including 2022/23 under the backstop proposals;
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in the Council's arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with a follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statements audit opinion.

We anticipate that we will issue a single Auditor's Annual Report covering 2020/21, 2021/22 and 2022/23.

Status of our risk assessment and Value for Money procedures

We have not yet completed our risk assessment procedures for the 2022/23 audit or identification of any risks of significant weakness.

Our work is planned to be performed in October 2024.

Purpose of our report and responsibility statement

Our report is designed to establish our respective responsibilities in relation to the audit, and to communicate our audit plan and planned scope. We will update you if there are any significant changes to the audit plan.

This report has been prepared for the Audit and Governance Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Page 28

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP
Cardiff | 12 September 2024

Appendices

Page 29



Minimum procedures expected of the Council prior to work on the financial statements

We have included below a summary of the minimum procedures that we would expect the Council to undertake prior to the start of any audit procedures on the financial statements. These reflect general good accounting practice and the guidance in CIPFA's "Streamlining the Accounts" publication, which the Council may wish to adopt in improving its financial reporting and close process for future years.

Overall procedures

Update of the draft financial statements so that comparatives and opening balances align to previous audited accounts, and all expected disclosures included, with documented check that opening balances and comparative figures agree to the previous audited accounts or updated draft of previous year.

Completion of the CIPFA Disclosure Checklist and resolution of any issues arising from this

Consistency check of the figures included in the narrative report to the accounts

Documented internal review of the financial statements

Documented internal "call and cast" of internal consistency and arithmetic accuracy

Documented check that the values disclosed agree to underlying supporting working papers, which have been appropriately completed and reviewed, with appropriate review of any adjustments between the general ledger and the financial statements

Documented analytical review of movements of more than 10% in balances, with an explanation for all of these variances.

Consistency checks

Agree the additions in the PPE and other fixed asset notes to the note on capital expenditure and capital financing

Agree the depreciation and impairment charges in the PPE and other fixed asset notes to the capital adjustment account and statutory adjustments notes

Agree the surplus/deficit for the year from the comprehensive income and expenditure statement to the movement in reserves statement, cashflow statement, and expenditure and funding analysis.

Agree the movement on the HRA balances in the housing revenue account to the movement in reserves statement.

Check consistency of adjustments between the expenditure and funding analysis, movement in reserves statement, and the adjustment between accounting and funding basis disclosure.

Check that the capital financing requirement matches to fixed assets less revaluation reserve and capital adjustment account, or that any differences are understood.

Prior year control findings

Summary

Our 13 March 2024 report to the Audit Committee on the 2020/21 audit included details of a number of internal control and risk management findings, and our recommendations to address them. Given the extent of planned procedures, we will not be evaluating the extent to which management have implemented their responses to these recommendations. The Audit Committee may wish to receive an update from management on progress against our previous recommendations as part of their approval of the financial statements.

Control recommendation	Year first communicated	Priority
The Council should continue to re-assess the NNDR Appeals provision methodology and ideally it should be based on the outcomes of decided cases	2022	High
The Council should reconcile the revaluation entries in the general ledger back to the valuer's report	2022	Medium
The PPE Note should be clearly reconciled to the underlying information.	2022	Medium
The Non-Trade Payment control should be defined and carried out on a consistent basis	2023	Medium
It is recommended that the Council undertakes a tidy up exercise of the receivables balance to identify and write off historic debt where income is not expected to be received.	2022	Low
It is recommended that the Council review the provision for bad debt account codes to clear these balances	2022	Low

Our other responsibilities explained

Fraud responsibilities



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- Due to the extent of the audit work that we anticipate can be completed prior to the backstop date, our work will not provide assurance that the financial statements are free from material misstatement, whether caused by fraud or error, which will be reflected in the disclaimer of opinion in our audit report.
- We will communicate to you any other matters related to fraud we identify through our audit that are, in our judgment, relevant to your responsibilities.

Page 32

Fraud Characteristics:



- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our other responsibilities explained (continued)

Fraud responsibilities

We intend to make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.

Page 33



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Group and will reconfirm our independence and objectivity to the Audit and Governance Committee for the year ending 2022/23 in our final report to the Audit and Governance Committee.

Fees

Public Sector Audit Appointments Limited (“PSAA”) has set the scale fee as £180,000 for 2022/23. This scale fee has not reflected the actual scope and cost of performing the audit of the Council, including the additional Value for Money requirements from 2020/21 onwards, and therefore this would have been subject to fee variations if the audit had not been impacted by the backstop provisions. PSAA has not yet published details of how it plans to adjust the scale fee to reflect the actual costs of audits which are affected by the backstop, and so any adjustment that will be made to this scale fee amount is currently unknown.

We have provided assurance services during the period for the Teachers Pension Return. The fee for this service was £7k (2021/22: £4k).

Non-audit services

In our opinion there are no inconsistencies between the FRC’s Ethical Standard and the Council’s policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

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