



Blaby District Council

Audit Completion Report

to the Audit and Corporate Governance
Committee

Year ended 31 March 2024

February 2025
DRAFT



Audit and Corporate Governance Committee
Blaby District Council
Desford Road
Narborough
Leicestershire
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6 February 2025

Dear Audit and Corporate Governance Committee Members

Blaby District Council – Audit completion report for the year ended 31 March 2024

We were appointed to perform an audit in accordance with International Standards on Auditing (UK)), which are directed towards forming and expressing an opinion on the Council's Statement of Accounts, and the National Audit Office's Code of Audit Practice (2024).

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", imposes a statutory backstop date of 28 February 2025 for the publication by the Council of its final Statement of Accounts for 2023/24. The Code of Audit Practice specifies that auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with the statutory reporting deadline. For 2023/24, the work required to complete the audit has increased greatly because the statutory backstop date of 13 December 2024 for outstanding periods to 31 March 2023 – all preceding audit periods – resulted in the issue of disclaimed audit opinions by the Council's predecessor auditor for the financial years ended 31 March 2021, 31 March 2022 and 31 March 2023. This means we have no assurance on the Council's opening balances as at 1 April 2024.

The time constraints imposed by the backstop dates mean we have been unable to complete all necessary procedures, including rebuilding the missing assurance over the preceding three years, to obtain sufficient, appropriate audit evidence to support our opinion for 2023/24 and comply with the ISAs (UK). We have therefore determined that we cannot meet the objectives of the ISAs (UK) and we will be issuing a disclaimer of opinion in our auditor's report for 2023/24.

We have prioritised our resources on providing a level of assurance around the accounts production process and the internal consistency of the Statement of Accounts for 2023/24. We have also carried out a range of audit procedures on transactions and balances which provide information and evidence that we can carry forward into future years' audits. In conjunction with management, we will use this to inform the development of a recovery plan setting out the work required in the coming years to return to unmodified audit opinions.

Alongside our audit of the financial statements, the Code of Audit Practice requires us to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and to report any significant weaknesses we identify. We also consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We have identified no significant weaknesses from this work.

The responsibilities of the Council and the Audit and Corporate Governance Committee remain unchanged. The Council's Responsible Finance Officer has a responsibility under The Accounts and Audit Regulations 2015 to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. The Audit and Corporate Governance Committee has an essential role in ensuring that it has assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Reviewing and overseeing the recovery plan mentioned above will be an important element of this.

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

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

Yours sincerely

Chris Brown

Key Audit Partner

For and on behalf of Azets Audit Services



This report has been prepared for the sole use of the Council's management and Those Charged with Governance. It should not be quoted in whole or in part without our prior written consent and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. To the fullest extent permitted by law, we do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Contents

Executive summary	5
Quality indicators	8
Audit scope and general approach	9
Materiality	10
Significant risks of material misstatement	11
2023/24 work and building back assurance	13
Significant matters	15
Financial statements: other responsibilities	16
Audit adjustments	19
Value for money	22
Independence and ethics	24

Appendices

Appendix I: Internal control recommendations	25
Appendix II: Fees	26
Appendix III: PSAA Statement of Responsibilities	29

Additional documents provided alongside this report

Management representation letter
Draft audit report opinion

Executive summary

This section summarises the work we performed on the Council's financial statements, our findings on value for money arrangements and other matters arising from the statutory audit of Blaby District Council for the year end 31 March 2024.

Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2024 ('the Code') we were appointed to report on whether, in our opinion:

- *The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- *The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 and the Local Audit and Accountability Act 2014.*

We are also required to report on other matters under the Code of Audit Practice (2024), including any significant weaknesses we have identified in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Context for the audit – disclaimed opinions from predecessor auditor

Timely, high-quality financial reporting and audit of local bodies is vital. 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 that all stakeholders in the sector need to work together to address this. The factors which have led to this situation include:

- Increased complexity of financial and other reporting requirements within the sector
- Increased volume of complex capital and income generation transactions which require specialist accounting and auditing expertise and which take significantly more time to prepare and audit
- Lack of capacity within local authority financial reporting teams and audit firms with specialist public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

The Ministry of Housing, Communities and Local Government (MHCLG) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners including the NAO to develop and implement measures to clear the audit backlog.

In July 2024, the Minister for MHCLG issued a statement confirming the government's plans to:

- **Reset** and clear the backlog through the setting of a statutory backstop date of 13 December 2024 for any outstanding financial statements for financial years to 2022/23;
- **Recover** assurance over a five-year period to 2027/28 to avoid a recurrence of the backlog through the setting of further backstop dates for financial years 2023/24 to 2027/28; and
- **Reform** the local audit system to address the systemic challenges and embed timely financial reporting and audit.

The Council's 2020/21, 2021/22 and 2022/23 audits were concluded in December 2024. Disclaimers of opinion were issued by the predecessor auditor on all three years resulting in a lack of assurance on the Council's opening balances at 1 April 2024.

Executive summary

Financial statements – the 2023/24 audit

The lack of assurance over opening balances resulting from the disclaimers of opinion issued in the prior years, together with the imminent statutory backstop date for 2023/24 (28 February 2025), has impacted on the audit procedures we had planned to undertake to gain assurance on the Council's 2023/24 financial statements. These planned procedures were first reported in our audit plan shared with the Audit and Corporate Governance Committee in February 2024. There has been insufficient time and resource available to gain sufficient assurance in the 2023/24 audit, including recovering missing assurance from earlier years, before the statutory backstop date of 28 February 2025. We therefore anticipate issuing a disclaimer of opinion on the 2023/24 accounts.

In order to issue our 2023/24 auditor's report we require completion of the following matters:

- Resolution of enquiries relating to testing of journals and testing of non-pay expenditure;
- Final engagement lead 'stand back' review of the file;
- Receipt and review of the management representation letter;
- Receipt and review of the final amended approved Statement of Accounts;
- Responses from management regarding subsequent events up to the date of the opinion and completion of subsequent events audit procedures.

We will continue to consider existing and new information which could influence our final audit opinion, a draft of which is provided alongside this report.

The Council's s151 Officer is responsible for ensuring that the Council has adequate internal controls in place to produce financial statements that give a true and fair view and for reconfirming the material accuracy of the financial statements before they are approved by the Audit and Corporate Governance Committee.

Where we have identified errors or misstatements in the financial statements, disclosure errors, or inconsistencies with the prior year, we report these in this report. Any such matters reported are not exhaustive due to the lack of time available to complete our work. We are unable to confirm if there are any other misstatements in the financial statements for 2023/24 beyond those reported in this report. We have no other issues to report based on the work we have completed.

Recovery plan

We have prioritised available resources during 2023/24 in carrying out audit procedures to provide information and evidence which we can accrete to future audit periods in line with the guidance set out in the LARRIGs. In conjunction with management, we will use this information as part of our 2024/25 audit to develop a recovery plan setting out the work required in the coming years to return to unmodified audit opinions. We will present this plan to the Audit and Corporate Governance Committee for review and oversight.

Executive summary

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

Value for money

We have completed our value for money work and our detailed findings will be set out in our Auditor's Annual Report which will be issued at a later date.

We have not identified any significant weaknesses in arrangements.

The Local Audit and Accountability Act 2014 (the Act) requires us to:

- report to you if we have applied any of the additional powers and duties available to us under the Act; and*
- certify the closure of the audit.*

Statutory duties

We have a duty under the Local Audit and Accountability Act 2014 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.

We have not exercised any of our additional statutory powers and duties.

We expect to be able to certify the closure of the audit upon completion of any required work on whole of government accounts, as specified in the group instructions issued by the NAO.

Quality indicators

The following metrics help assess the reliability of the Council's financial reporting and response to the audit.

KEY:

RED:

Significant improvement required

AMBER:

Developing

GREEN:

Mature

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	Green	The statutory date for Councils to issue unaudited financial statements for 2023/24 was 31 May 2024. The Council issued their unaudited financial statements on 31 May 2024. The statutory public inspection period ran from 1 June 2024 to 12 July 2024. From the work we completed we have identified some minor disclosure changes and some minor presentation errors which relate to casting errors and typos. Management also made us aware of three errors they had identified, which resulted in adjustments to the financial statements.
Quality of working papers provided and adherence to timetable	Green	We experienced some delays in receiving various items of information. Although this did not have a significant impact on our planned procedures, it impacted our ability to fully close down and complete work in areas such as journals, non-pay expenditure and payroll. We will roll this work forward as part of our plan to accrete assurance within the 'Build Back of Assurance Plan'.
Timing and quality of key accounting judgements	Green	Management presented their draft accounting policies to Audit and Corporate Governance Committee on 22 April 2024. The critical judgements were included in the unaudited accounts which were presented to Audit and Corporate Governance Committee on 30 July 2024. These are considered appropriate and in line with our expectations for the Council, however we have not completed detailed testing on key accounting estimates or judgements.
Access to finance team and other key personnel	Green	The finance team have been accessible to us throughout the course of our audit work both onsite and remotely.
Quality and timeliness of Narrative Report and Annual Governance Statement	Green	The Narrative Report and Annual Governance Statement were received at the same time as the financial statements. We have reviewed these for consistency with our understanding of the Council and made limited comments on clarifying the narrative around reserves and the risks within the Council.
Volume and magnitude of identified errors	N/A	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have identified a number of disclosure amendments that have been documented later in this report.

Audit scope and general approach

This section sets out the scope and nature of our audit and should be considered in conjunction with the [Terms of Appointment](#) and [Statement of Responsibilities](#) issued by Public Sector Audit Appointments Limited (PSAA).

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.

Scope and general approach

Our objective when performing an audit is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach we:

- Perform risk assessment procedures including updating our understanding of the Council, its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We reported the significant risks we had identified in our audit plan.

Limitation of scope of work in 2023/24

2023/24 is our first year of appointment as external auditors to Blaby District Council. Following the start of our appointment we have undertaken planning procedures, including additional work required under ISA (UK) 315. Subsequent to our appointment, MHCLG introduced statutory backstop dates, including for the 2023/24 audit.

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025, by which we are required to issue our opinion on the financial statements.

We have considered whether the time constraints imposed by the backstop date allow us to complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the audit and thereby requires the auditor to modify the auditor's opinion.

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.

Materiality

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines:

- **clearly trivial** as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
- **material** as an omission or misstatement that would reasonably influence the users of the financial statements.

The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

As set out in our audit plan, we determined materiality at the planning stage as £731,000 for the Council based on 1.75% of gross expenditure of the prior year unaudited financial statements. On production of the financial statements, we reconsidered our materiality determination. We have not changed our overall materiality as communicated in the Audit Plan. We have changed our performance materiality threshold as outlined below.

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

Materiality area	Planning £000	Final £000	Explanation
Overall materiality for the financial statements	731	731	This is the equivalent of 1.75% of gross revenue expenditure based on the 2022/23 draft accounts. We considered updating based on the 2023/24 draft financial statements, however, this was an immaterial difference and as such we considered it appropriate to not update this figure. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for councils as the users of the Council's financial statements are considered to be most interested in where the Council has expended their income during the year.
Performance materiality	438	365	Performance materiality has been set at 50% of overall materiality. This has been reduced from what was reported in our plan which was determined at 60% of overall material. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole. We considered it appropriate to reduce to 50% given the back log position.
Trivial threshold	36	36	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to Those Charged with Governance.

Significant risks of material misstatement

This section summarises the significant risks we identified during our audit planning that required special consideration. We set out our planned responses to each of these risks in our audit plan.

We have amended the risks which we reported in our audit plan in February 2024. Within our audit plan, we explained the uncertainty over our audit approach created by the delays in completing the audits for 2020/21, 2021/22 and 2022/23. Since presenting the audit plan to you, we have identified these delays and the subsequent disclaimer of opinion on the audits in those years as a further significant risk to the audit, as highlighted in the table below. All other risks set out below are consistent with those reported in our audit plan.

Significant risk	Fraud risk?	Planned approach to controls	Level of judgement / estimation uncertainty	Work completed
Delays in completing prior year audits and disclaimers of opinion	No	N/A	High	The work we completed is set out on the next page.
Management override of controls	Yes	Assess design & implementation	High	Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have been unable to complete all our planned procedures on the significant risks we identified.
Presumption of fraud in revenue recognition	Rebutted	Assess design & implementation	Low	
Expenditure recognition	Rebutted	Assess design & implementation	Low	
Valuation of land and buildings and investment property	No	Assess design & implementation	High	As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 28 February 2025 for the 2023/24 audit, we intend to issue a disclaimer of opinion.
Valuation of pension assets and liabilities (IAS19)	No	Assess design & implementation	High	

Significant risks of material misstatement

Identified risk	Audit procedures completed	Outcome
<p>Prior year opinion on the financial statements</p> <p>In our audit plan we highlighted that we had not yet obtained a copy of the audit opinion from your predecessor auditor for the 2020/21, 2021/22 or 2022/23 financial years. We therefore reported that:</p> <ul style="list-style-type: none"> • There was a risk that issues not yet identified in these audit years could impact the current audit year; • There was a further risk that a statutory audit backstop may prevent the prior year audits from being completed, resulting in prior year audit opinions being qualified by a 'limitation of scope' or disclaimed in full. <p>As a result, we reported the significant risk that:</p> <ul style="list-style-type: none"> • there may be limited assurance available over the Council's opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pensions valuations and property, plant and equipment valuations, amongst others). • significant transactions, accounting treatment and management judgements may not have been subject to audit for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed periods. 	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit; • considered the impact on our 2023/24 audit of the prior year disclaimed audit opinions you have received from your predecessor auditor, with particular regard to opening balances and 'unaudited' transactions and management judgements made in previous disclaimed years which continue into 2023/24; and • considered the impact of any changes in The CIPFA Code requirements for financial reporting in previous and current audit years. 	<p>The Council's accounts were disclaimed for 2022/23, 2021/22 and 2020/21. This means we have no assurance over the opening balances for the 2023/24 financial statements, the comparators from the previous year and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2023/24.</p> <p>Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025 by which we are required to issue our opinion on the financial statements.</p> <p>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).</p> <p>Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.</p> <p>We have contacted EY to arrange to review their prior year audit files for both the financial statements and Value for Money work. We will incorporate this into the 'Build Back of Assurance' plan.</p>

2023/24 work and building back assurance

Audit planning procedures

Following the start of our appointment, we worked closely with the Council by:

- Confirming and evidencing our independence to act as appointed external auditors;
- Confirming engagement acceptance and continuance arrangements;
- Establishing effective working arrangements with the Council's Section 151 Officer and finance team;
- Undertaking planning procedures in line with the requirements of relevant ISAs (UK) to develop our understanding of the Council, confirm the scope of our external audit and identify and assess risks of material misstatement in the financial statements;
- Issuing audit requests to the Council's finance team using our "Inflo" portal to ensure that both we and the finance team develop an understanding of audit requirements and expectations, and the nature of the information held by the Council to support the financial statements;
- Considering the implications of the statutory backstop legislation, the level of assurance likely to be available from the predecessor auditor, and the impact of these matters on our approach.

As a firm we have invested considerable resources in developing our response to the anticipated issuing of disclaimed opinions for 2022/23 and prior years, and the impact of this on our responsibilities and audit approach for 2023/24 and future years.

Due to the audit complexities caused by the issue of disclaimed opinions, our work has required greater involvement from senior members of the audit team than would normally be the case.

Audit procedures specific to 2023/24

Following the creation of the backstop dates, we anticipated disclaimed opinions being issued from the predecessor auditor and the likelihood that we would require to issue a disclaimed opinion in 2023/24. We then focussed our audit effort on the areas where we could carry assurance into future years, thereby allowing us to remove future disclaimed opinions as quickly as possible.

However, we also carried out the following procedures to provide a level of assurance specific to the 2023/24 financial statements:

- Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- Reviewing minutes of meetings of full Council, Cabinet and the Audit and Corporate Governance Committee;
- Agreeing opening balances and comparative figures to prior year financial statements;
- Checking financial statements for internal consistency and arithmetic accuracy;
- Reviewing the Narrative Report and the Annual Governance Statement for consistency with our knowledge of the Council;
- Undertaking a high-level Audit Manager and Engagement Lead review of the financial statements;
- Confirming the accounts were issued and approved in line with The Accounts and Audit Regulations 2015;
- Obtaining written representations from the Council;
- Evaluating any misstatements and control weaknesses identified during our work; and
- Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit and Corporate Governance Committee.

2023/24 work and building back assurance

Audit procedures to help rebuild assurance in future years

As per LARRIG guidance issued by the NAO, it is recognised that the process of rebuilding assurance following three years of disclaimed audit opinions will take several years, as it will be necessary to rebuild assurance on all balance sheet and CIES areas. Where balances are inherently tied to transactions which occurred during disclaimed periods, particularly reserves, we will need to obtain assurance over these historical transactions. We have begun assessing what work, carried out in 2023/24, can be used to inform the rebuilding process.

Where work was able to be completed in these areas, we intend to accrete this work into future audit periods to inform the future building back of assurance. This will require us to apply a process of rebuilding assurance over all financial years for which disclaimers of opinion have been issued.

As a result of the approach adopted, we have developed our understanding of the Council's systems, processes, controls and arrangements for the preparation of the financial statements and have gathered information to inform the process of rebuilding assurance in future years.

Specific areas in which we have undertaken work in 2023/24 to obtain information for use in rebuilding assurance include:

- Reviewing the Council's financial control environment,
- Reviewing and documenting key business processes and undertaking walk-through tests,
- Reviewing and testing IT General Controls,

- Detailed substantive procedures in the following areas:
 - Management override of control through testing journals
 - Cash and cash equivalents, including confirmation requests from third parties
 - Short-term and long-term borrowings
 - Investments
 - Employee remuneration testing
 - Operating expenditure testing
 - Fees and charges
 - Assurance over the existence and ownership of fixed assets
 - Grants testing.

Recovery plan

We are committed to working with the Council over the term of our appointment towards a position of being able to issue an unmodified opinion. We are an active participant in a local audit group, led by the National Audit Office and comprising representatives from all audit firms and the Financial Reporting Council, which is aiming to develop an approach to rebuilding assurance that is achievable, complies with auditing standards, and can be applied consistently by all auditors across the sector.

We will use the output from this group, together with the information we have gathered in 2023/24, to develop a recovery plan, in conjunction with Council management, setting out the work required to return to unmodified opinions. We will present this to the Audit and Corporate Governance Committee for review and oversight.

Significant matters

As required by the ISAs, we must notify you of the significant findings from the audit. Although we have not been able to complete all normal audit procedures, we have summarised any significant matters we identified from the procedures we completed in the table below.

Matter	Outcome
Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures, including concerns identified in the following: <ul style="list-style-type: none">• Consultation by management with other accountants on accounting or auditing matters;• Matters significant to the oversight of the financial reporting process;• Adjustments / transactions identified as having been made to meet an agreed budget.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Any significant difficulties encountered during the audit.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Any significant matters arising from the audit that were discussed with management, including: <ul style="list-style-type: none">• Significant management judgements where there was disagreement over the judgement;• Consistency of opening balances with prior year financial statements;• Inconsistencies between the financial statements and trial balance;• Findings and issues around the material accuracy of opening balances;• Any other matters significant to your oversight of the financial reporting process.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Other significant matters - If an objective in a relevant auditing standard cannot be achieved, we are required to evaluate whether this prevents us from achieving the overall objectives of the audit and therefore requires us to modify our auditor's opinion, or to withdraw from the audit engagement (where this is possible under applicable law or regulation). Due to the statutory backstop date, we are unable to meet the objectives of the ISAs (UK) in full and will therefore disclaim our opinion.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We are reporting this significant matter to you as we consider it to be a matter requiring documentation in accordance with ISA (UK) 230.

Financial statements: other responsibilities

Matter	Commentary	Outcome
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit and Governance Committee chair and reflected this in our audit plan. We have not subsequently been made aware of any other incidents.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Matters in relation to related parties	ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our audit planning you have informed us of the individuals and entities that you consider to be related parties.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Matters in relation to compliance with laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.

continued....

Financial statements: other responsibilities

Matter	Commentary	Outcome
Confirmation requests from third parties	We requested permission from the Council to send confirmation requests to third parties	

Financial statements: other responsibilities

Matter	Commentary	Outcome
Other information included in the Financial Statements: Narrative Report and Annual Governance Statement	<p>Under the Code of Audit Practice we are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated. We are required to report by exception if the annual governance statement does not comply with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.</p> <p>Audit Guidance Note 07, issued by the National Audit Office, confirms that where a disclaimer of opinion is issued we may report that we have not completed this work.</p>	We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have nothing to report on this matter.
Other matters on which we report by exception	<p>We are also required to report by exception:</p> <ul style="list-style-type: none"> • If we have applied any of our statutory powers or duties • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. 	We have nothing to report on these matters.
Specified procedures for the Whole of Government Accounts (WGA)	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in July 2024 which set out the procedures that the NAO require from component auditors.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions. Submission of a partial assurance statement is therefore required; however, the instructions state that the NAO may direct auditors of components below the audit threshold to undertake additional work.</p>	We will submit our partial assurance statement to the NAO after the issue of our auditor's report and await further guidance on whether or not any additional testing is required.
Certification of closure of the audit	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	We cannot issue our certificate of closure until the NAO have confirmed whether any additional testing is required for Whole of Government Accounts.

Audit adjustments

We are required to report all non-trivial misstatements identified during the audit, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

Details of items corrected following discussions with management are as below. These three adjustments were identified by management and notified as changes to the audit team.

Detail	Comprehensive Income and Expenditure statement	Balance Sheet	Impact on general fund
DR General Fund Business Rates CR Creditors Leicestershire County Council <i>To increase the levy payable to Leicestershire County Council.</i>		(364,415)	364,415
DR NNDR Income Reserve CR MIRS Earmarked Reserves <i>To fund the additional levy from earmarked reserves.</i>	364,415		364,415 (364,415)
<i>To correct the error made in management's calculation for the NNDR Levy. This adjustment is a cost to the CIES and increases short term creditors. The impact of the general fund reserve is a decrease of 364,415,</i>			
DR Capital additions (capital receipts) CR Capital additions (prudential borrowing) DR Capital adjustment account (unusable reserve) CR Usable capital receipts reserve		805,623 (805,623) 805,623 (805,623)	nil
<i>To correct capital funding of additions. This adjustment is the movement between the capital receipts reserve (usable reserve) and unusable reserves to show the funding of capital additions through capital receipts.</i>			

Audit adjustments

We are required to report all non-trivial misstatements identified during the audit to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

Details of items corrected following discussions with management are as below.

Detail	Comprehensive Income and Expenditure statement	Balance Sheet	Impact on general fund
CR Elections payments control (short term debtors)		(95,445)	
DR Hired services (CIES)	95,445		(95,445)
CR To/from reserves			(54,685)
DR Election reserve			54,685
CR short-term balance			(25,544)
DR To/from reserves			25,544
DR Election reserve			66,304
CR To/from reserves			(66,304)
<p><i>Management discovered that a control account held for Election salary costs had not been cleared at year end and transferred to the Local Election cost centre. Management have adjusted to correct this, transferring £95,444 to clear the control account and add it to the CIES as an expense. This has resulted in an increase in expenditure to the CIES and a reduction of short-term debtors. The impact of the general fund reserve is a decrease of £95,445.</i></p> <p><i>An amendment was then needed to the reserve transfer that had been undertaken. This has a net nil impact on the total reserves.</i></p>			
Overall impact	459,860	(459,860)	459,860 increase to general fund reserve

Audit adjustments

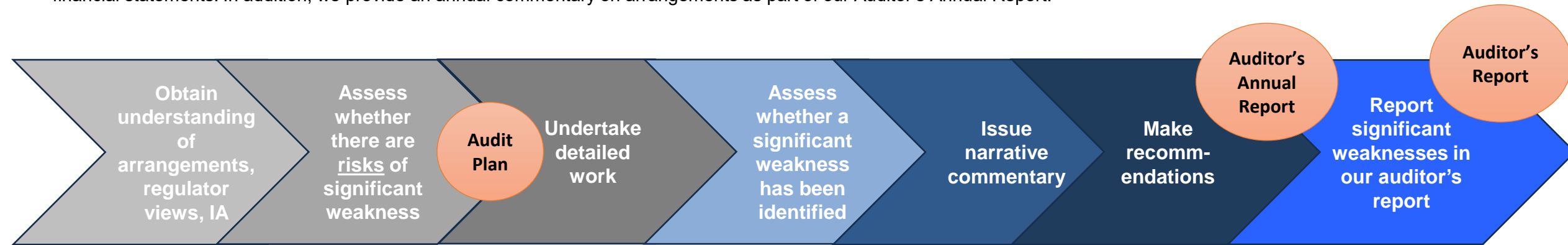
Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure change	Auditor recommendation	Adjustment agreed Y/N?
Prior year comparators A small number of changes were identified to ensure the 2022/23 comparators included in the 2023/24 accounts agreed to the final signed accounts for 2022/23.	Management should amend the financial statements to ensure that the prior year comparators for 2022/23 agree to the signed financial statements for 2022/23.	TBC
Minor presentational, formatting and disclosure issues We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts and annual report.	Management should amend the financial statements for the minor presentational, formatting and disclosure issues identified by the audit team.	TBC

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice (2024) and the requirements of Auditor Guidance Note 3 ('AGN 03'). Where significant weaknesses are identified, we report by exception in the auditor's opinion on the financial statements. In addition, we provide an annual commentary on arrangements as part of our Auditor's Annual Report.



In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identified whether there are risks of significant weakness which require us to complete additional risk-based procedures. We undertook our planning risk assessment procedures in early 2024 and did not identify any risks of significant weaknesses in the Council's VFM arrangements although we reported that this was subject to reviewing the work to be undertaken by the predecessor auditor for 2020/21, 2021/22 and 2022/23.

The predecessor auditor has now reported their work for 2020/21, 2021/22 and 2022/23 and has not reported any significant weaknesses. We have not therefore needed to update our planning risk assessment to take account of these reported outcomes. We have not yet reviewed the predecessor's audit files in relation to their VFM work,

As a result, and as summarised on the following page, we have no matters to report by exception at this stage of the audit and we will update our interim commentary as part of our Auditor's Annual Report (AAR), to be issued by the end of March 2025.

Value for money 2023/24 – audit findings

Reporting criteria	Initial planning – risk of significant weakness identified?	Updated planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	TBC in AAR
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	No	No	TBC in AAR
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	No	TBC in AAR

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements, we confirm that there are no facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office's Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- **Non-audit services:** We provide assurance services as set out below.
- **Contingent fees:** No contingent fee arrangements are in place for any services provided.
- **Gifts and hospitality:** We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff.
- **Relationships:** We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Assurance service fees

Service	Fee	Threats identified	Safeguards
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2023/24)	£28,000 (plus £2,000 for each additional workbook)	Self-interest (recurring fee) Self-review Management	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets' UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.

Appendix I: Internal control recommendations

We set out here the recommendations we have identified during our audit. The matters reported here are limited to deficiencies which we feel are of sufficient importance to merit reporting to you under the auditing standards. Recommendations arising from our Value for Money work are reported separately in our Auditor's Annual Report.

Assessment	Issue and risk	Recommendation	Management response
Green	<p>As part of our work on journals testing, we identified a best practice recommendation for the Council to consider.</p> <p>We identified that journals do not require approval before being posted in the general ledger.</p> <p>The risk associated with this is that inappropriate postings could be made resulting in fraud or error. This then relies on monthly management reviews to identify and correct any journals which have been posted in error or journals where mistakes have been made. There is also a risk these reviews do not pick up journals which require correction and therefore this could have an impact on the reported financial position.</p>	Management should consider implementing a review process for journals over a specified monetary amount to ensure they are appropriate and free from error.	[TBC]

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

Appendix II: Fees

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

The proposed fee reported in our audit plan was based on the following assumptions:

- Draft financial statements to be produced to a good quality by the agreed deadlines. These should be complete including all notes, the Narrative Report and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays;
- Our accounts opinion being unqualified and there being no significant weaknesses identified in your arrangements to secure value for money;
- The auditor's report from the prior year being unmodified (clean opinion);
- An effective control environment in place at the Council;
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See [Statement of responsibilities of auditors and audited bodies from 2023/24 audits – PSAA](#). In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix III.

Due to the disclaimed opinions from the prior years and the imposition of the statutory backstop for 2023/24, the above assumptions are unable to be met. The prior year disclaimed opinions have resulted in additional costs, which we have set out in the fee table on the next page. As set out in the joint statement on proposals to clear the backlog and embed timely audit issued by MHCLG, PSAA will use its fee variation process to determine the final fee for the 2023/24 audit.

Appendix II: Fees

Audit fee	Audit plan 2023/24 £	Proposed final 2023/24 £
Scale fee for the audit of the Council's financial statements (as set out in the fee scales issued by PSAA)	139,897	139,897
New auditing standards: ISA315 and ISA240	20,985	20,985
Total before impact of disclaimed opinions	160,882	160,882
Additional work arising from current and prior year disclaimers of opinion (note 1)	TBC	15,000
Additional work in respect of future 'build back' activity (note 2)	TBC	0
Total audit fee	160,882	175,882
Certification of the HBAP claim	28,000	TBC
Total fees	188,882	TBC

Note 1: This includes additional work required to consider the disclaimed audits from prior years, develop a revised audit approach in response to the missing assurance, develop a revised 'Audit Completion Report' for reporting the additional considerations arising from the disclaimers, drafting a disclaimed audit report and the various risk, compliance and technical consultations arising as a result of this unique and unprecedented situation.

Note 2: work undertaken during this audit under the scale fee will also be useable in respect of future build back activity. However, to avoid double counting, we have not raised a separate fee for 2023/24 in respect of work undertaken in good faith in 2023/24 that can now be accreted to future years. All fees are subject to PSAA determination.

Appendix II: Fees

The audit fees in the previous table reconcile to the fees disclosed in the financial statements (note 31) as follows:

Fees per financial statements for external audit (note 31)	£160,882
Total fees per fee table on previous page	£160,882
<i>Fees per financial statements for grant claims (note 31)</i>	<i>£25,100</i>
<i>Over – accrual made in 2021/22 which therefore reduces 2023/24 cost</i>	<i>£2,900</i>
<i>Total</i>	<i>£28,000</i>
<i>Total fees per fee table on previous page</i>	<i>£28,000</i>

Appendix III: PSAA Statement of Responsibilities

Our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies from 2023/24 audits. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

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

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

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

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



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