

Report of the Interim Deputy Chief Executive

Audit of Accounts 2024/25 and Associated Matters

1. Purpose of Report

To approve the letter of representation and the process for the approval of the Statement of Accounts for 2024/25 and to receive the Audit Completion Report and the draft Auditor's Annual Report for 2024/25 from the Council's external auditors following their work on these accounts.

2. Recommendation

The Committee is asked to receive the Audit Completion Report for the year ended 31 March 2025 and the draft Auditor's Annual Report for 2024/25 and RESOLVE that:

- (i) the updated Statement of Accounts 2024/25 and letter of representation, as circulated, be approved; and**
- (ii) delegation be given to the Interim Deputy Chief Executive and Section 151 Officer, in consultation with the Chair of this Committee, to approve any further changes required to the Statement of Accounts 2024/25.**

3. Detail

Further to earlier updates, the Council's appointed external auditors, Forvis Mazars, have almost concluded their work on the Statement of Accounts 2024/25. Forvis Mazars has published its Audit Completion Report, which is included at **Appendix 2**. It is pleasing to report that the auditors anticipate issuing an unqualified audit opinion on the 2024/25 accounts. A number of changes have been made to the draft accounts. A summary is set out in **Appendix 1**, which includes the management responses to the auditors' internal control recommendations.

Forvis Mazars have also completed their work in respect of the Value for Money conclusion for the year ended 31 March 2025. The auditors are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The reporting criteria are:

- Financial sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance – How the Council ensures that it makes informed decisions and properly manages its risks.

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

Again, it is pleasing to report that the auditors have not identified any significant weaknesses in the Council's arrangements that would require it to make a recommendation. Further details are provided in the draft Auditor's Annual Report for 2024/25 which is presented and included at **Appendix 3**.

In accordance with the regulations, the Council's letter of representation in respect of the 2024/25 accounts must be approved by the Committee charged with governance. The draft letter, as prescribed, is included at **Appendix 4**.

The updated Statement of Accounts for 2024/25, including any amendments agreed with the auditors, is included at **Appendix 5**. It is proposed that any further amendments to the accounts be delegated to the Interim Deputy Chief Executive to resolve, in conjunction with the Chair of this Committee.

A representative from Forvis Mazars will be available at the meeting to introduce the Audit Completion Report and respond to any enquiries.

4. Financial Implications

The comments from the Interim Deputy Chief Executive and Section 151 Officer were as follows:

There are no direct financial implications arising from this report.

5. Legal Implications

The comments from the Head of Legal Services and Deputy Monitoring Officer were as follows:

The legislation in the Accounts and Audit Regulations (2015) sets out the timescales for the production of the Council's accounts, including the dates of the public inspection period. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Deputy Chief Executive) has the responsibility for the administration of those affairs, which include responsibility for preparing the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The Statement of Accounts is that upon which the auditor should enter his certificate and opinion which is prepared under the Local Government Finance Act 2003.

6. Human Resources Implications

There were no comments from the Human Resources Manager.

7. Union Comments

Not applicable.

8. Climate Change Implications

Not applicable.

9. Data Protection Compliance Implications

This report does not contain any OFFICIAL(SENSITIVE) information and there are no Data Protection issues in relation to this report.

10. Equality Impact Assessment

As there is no change to policy an equality impact assessment is not required.

11. Background Papers

Nil.

Appendix 1**Audit of Accounts 2024/25 and Associated Matters**

In May 2025, this Committee received the Audit Strategy Memorandum for the year ending 31 March 2025 which set out Forvis Mazars' approach to the audit of the 2024/25 accounts, highlighting the significant audit risks and areas of key judgements.

The draft Statement of Accounts 2024/25 were approved and presented to the auditors for review on 26 June 2025. This fully met the requirements of the Accounts and Audit Regulations 2015. The public inspection period commenced on 1 July 2025 and ended on 11 August 2025 with details placed on the Council's website.

Forvis Mazars subsequently commenced their audit review of the 2024/25 accounts from September 2025. This involved scrutinising working papers and other supporting documentation and liaising as necessary with officers and associated third parties. The auditors work focused upon the following significant risks:

- Management override of controls;
- Net defined benefit pension liability valuation; and
- Valuation of land, buildings, council dwellings and investment properties.

Forvis Mazars have substantially completed their work on the accounts and have produced their Audit Completion Report (ACR). The auditors have stated in the Executive Summary at Section 1 that, at the time of preparing the report, there are no significant matters remaining outstanding. It is pleasing to note that the auditors are anticipating issuing an unqualified opinion on the financial statements.

Section 2 of the report details the status of the audit which is nearing full completion, with only a small number of residual queries to resolve with officers. Section 3 provides a summary of the audit approach, in accordance with the agreed Audit Strategy Memorandum, and risk summary.

Section 4 of the report details the significant findings from Forvis Mazars' work with conclusions identified. The audit observations and conclusions have resulted in four internal control recommendations in Section 5 relating to capital accounting processes and control framework; asset valuation instructions and review controls; Minimum Revenue Provision; and journals authorisation. The recommendations have been acknowledged and agreed, with details including the management responses being set out further below.

The auditors identified several misstatements in the draft 2024/25 accounts, with full details being set out in section 6. There were two misstatements that were not considered to be material and for which no adjustment has been made. These are listed within the Letter of Representation that is included with this report.

Section 7 sets out its fraud considerations. It is pleasing to report that the auditors did not identify any actual or suspected fraud involving management, employees with significant roles in internal control or others, where the fraud resulted in a material misstatement in the financial statements.

Section 8 sets out progress made with the auditor's conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources i.e. the Value for Money (VFM) conclusion. The auditors have completed their work in respect of the Council's arrangements for the year ended 31 March 2025 and have not identified any significant weaknesses in arrangements that would require it to make a recommendation.

This opinion is also provided in the draft Auditor's Annual Report (AAR) 2024/25 at Appendix 3.

Internal Control Recommendations

The auditors have made four internal control recommendations in their ACR, plus one follow-up recommendation in their draft AAR.

These are categorised as 'significant deficiencies in internal control' whereby the auditors, consider these issues have a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. The audit recommendations should therefore be considered by management for immediate action.

1. Weaknesses in Capital Accounting Processes and Control Framework

During the audit, the auditors identified a significant deficiency in the Council's capital accounting processes, evidenced by multiple issues including discrepancies between the Fixed Asset Register and the general ledger, incorrect calculation and posting of asset disposals, failure to clear revaluation reserve balances, misclassification of capital transactions, and inconsistent application of CIPFA Code requirements for statutory adjustments. These weaknesses increase the risk of material misstatement in Property, Plant and Equipment (PPE) balances and related reserves, and indicate inadequate review controls and reconciliation procedures within the capital accounting function.

The potential effects are the increased risk of material misstatement in PPE balances and reserves due to inadequate controls and non-compliance with CIPFA Code.

Recommendation – The Council should implement robust reconciliations, strengthen review controls ensure appropriate arrangements are in place to produce complex notes in the accounts that are of a high quality.
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Management response – Agreed. The Deputy Chief Executive and Section 151 Officer remains satisfied with the levels of competency and technical knowledge within the Accountancy team.

Whilst time was included in the year-end schedule for quality assurance, the late completion of asset valuations compromised the time available to support this review. This will be rectified in the timetable for future years with the earlier scheduling of asset valuations and the associated actions.

A full review of working papers will be undertaken with the aim of improving the quality and consistency of these to provide evidence of the figures included in the financial statements and to support the enquiries from the auditors.

2. Weaknesses in Asset Valuation Instructions and Review Controls

The Council's asset valuation process lacked adequate controls, as instructions to the external valuer of Council dwellings omitted certain beacon assets and the Council failed to identify a significant input error by the external valuer when recording the results of the valuation. This demonstrates insufficient review and validation procedures over valuation data and postings, increasing the risk of material misstatement in Property, Plant and Equipment balances.

There were weaknesses in the processes for the internal valuation of other assets, and there were significant delays in providing the valuation reports including the supporting valuation calculation for individual assets that had been revalued.

The Council does not assess whether there is a potential material impact on assets that have not been revalued in the year.

The potential effects are the increased risk of material misstatement in asset valuations due to incomplete instructions and lack of review controls over valuation data.

Recommendation – Strengthen review procedures for valuation inputs and postings, ensure comprehensive instructions to valuers, and implement validation checks before recording valuations. Ensure all valuation reports are in place prior to preparing the accounts. Specifically assess whether there is a potential material misstatement relating to assets not valued in the year, and whether some form of indexation is required between revaluations to avoid potential material misstatements occurring.

Management response – Agreed. The process to complete the required asset valuations and its input into the financial statements fell below the levels expected. The late and incomplete instructions sent to the external valuers and the subsequent delayed receipt of those valuations did not allow time for the level of quality assurance that would have been anticipated.

The future timetable will include the planning of asset valuations much earlier in the process, well before the financial year-end. This will allow the Chief Accountant more time to effectively communicate and formally quality check instructions with the Estates Manager and/or external valuers. The Estates Manager will then be responsible for ensuring that valuations are completed, as required, and submitted to Finance Services in accordance with agreed timescales. This should provide adequate time for completing working papers and quality checking entries into the accounts and the notes to the financial statements

The comments regarding whether indexation is required between revaluations to avoid potential material misstatements occurring is noted and will be considered further with the Estates Manager for 2025/26.

3. Minimum Revenue Provision

The Council has not fully adhered to its formal MRP Policy. While adopting Option 3 – Asset Life Method under statutory guidance, the asset lives used in MRP calculations do not align with those recorded in the asset register and applied for depreciation. This inconsistency resulted in immaterial misstatements and indicated a need to ensure MRP is calculated in strict accordance with statutory guidance and the CIPFA Code.

In relation to the Housing Revenue Account, the Council has not made a voluntary revenue provision, meaning that the outstanding capital finance requirement relating to the HRA will never be reduced. Making such provision is not a requirement, but it would be prudent.

The potential effect is that the MRP charge is not appropriate. In relation to the HRA the Council is not making a prudent voluntary provision to reduce outstanding indebtedness.

Recommendation – Align asset lives used in MRP calculations with those in the asset register and depreciation schedules and implement a formal review process to ensure strict adherence to the Council's MRP Policy and statutory requirements.

The Council should consider whether a prudent voluntary revenue provision is made to reduce HRA indebtedness.

Management response – Agreed. A full review of MRP calculations will be undertaken as part of the budget setting process to ensure compliance and accuracy. The impact is not considered to be material.

In terms of the HRA, there is not a statutory requirement to make prudent provision for the repayment of debt. Whilst no provision has been made to date in respect of the historic debts relating to the Housing Finance reforms in 2012, all new borrowing to support the Council's housing delivery programme do have elements of Voluntary Revenue Provision (VRP) set aside within the business cases for each respective scheme. These are expected to come into effect from 2026/27 and will be kept under review by the Deputy Chief Executive and Section 151 Officer.

4. Journals Testing

During our testing of journals, we identified certain users that had self-authorised journal entries when they should not have. We extended our testing with no issues arising. Additionally, we identified an instance where a user who does not have formal authorisation rights in the system was able to post and self-authorise a journal without any review mechanism in place. There is an increased risk of error in the accounts.

Recommendation – The Council should refresh authorisation and ledger access rights to ensure access and authorisation are relevant and up-to-date.

Management response – Agreed. A full review of users' access rights to the general ledger, including journal authorisation, has been undertaken and is now scheduled for regular review. The audit matter identified occurred prior to the above review being undertaken and involved junior officers in the Finance Services team self-authorising internal journal transfers. Whilst there was an increased risk of error without the assurances provided by review and authorisation, the risk of financial loss and/or fraud was considered to be low.

5. Follow-up on previous year recommendations – Employment Contracts

During earlier testing of pay costs, auditors identified several employees that did not have a signed contract of employment on file. A similar issue has arisen during 2024/25, and the Council was unable to provide the signed employment contracts. There is a risk of incorrect terms or conditions being applied.

Recommendation – The Council should conduct a risk-based review of employment contracts to ensure signed copies are retained in personnel files.

Management response – Agreed. A new process has been implemented with a transactional record maintained of each new contract produced, signed and returned. For new starters, any contract that has not been returned will be signed in person as part of employee induction process.

All but one of the cases identified in the audit are historical and therefore had not been collected as part of the new process. The one exception related to a contract for an existing employee who has recently moved onto new ‘compressed hours’ which did not have an impact in terms of pay or budget. Finance Services will continue to liaise with the Human Resources and Payroll teams to evaluate the extent of work required and the associated risks to the Council.