



# Lichfield District Council

## Audit Findings Report

Year ended 31 March 2024

January 2025



Lichfield District Council  
Frog Lane  
Lichfield  
WS13 6YU

**Private & confidential**

2 January 2025

Dear Audit Committee Members

### **Lichfield District Council - Audit findings for the year ended 31 March 2024**

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK) 260 and the National Audit Office Code of Practice 2024 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures and have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of those charged with governance. Under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify. Where, as part of our testing, we identify control weaknesses, we will report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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

Yours sincerely

**Laura Hinsley**  
**Key Audit Partner**  
For and on behalf of Azets Audit Services



This report has been prepared for the sole use of those charged with governance, 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. 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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# Executive summary

This section summarises for Those Charged with Governance the key findings and other matters arising from the statutory audit of Lichfield 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 are required to report 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 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 or our knowledge obtained in the audit or otherwise appears to be materially misstated.*

## Financial statements

Our audit work remains in progress. We have identified one adjustment to the financial statements which has a £395k impact to the Total Comprehensive Income and Expenditure. However, this has a NIL impact on the general fund.

We also identified several disclosure amendments and have raised recommendations for management as a result of our work.

The following matters require completion:

- Receipt and review of the management representation letter;
- Receipt and review of the final Statement of Accounts; and
- Response from management regarding subsequent events up to the date of the opinion.

The Audit Committee is asked to confirm its agreement to management proposals not to amend the financial statements for the unadjusted misstatements.

Subject to the satisfactory resolution of the above matters, we anticipate issuing an unmodified audit opinion. We have also concluded the other information included in the Statement of Accounts is consistent with our knowledge of the Council and the financial statements we have audited.

# 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, under the National Audit Office (NAO) Code of Audit Practice (the Code).*

## Value for money

We have completed our value for money work and our detailed findings will be reported in our Auditor's Annual Report.

We have not identified any significant weaknesses in relation to the Council's Value for Money 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 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 our work on whole of government accounts.

Our audit approach has been based on gaining a thorough understanding of the Council's control environment and has been risk based. This included:

- An evaluation of the Council's internal control environment, including the IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks.

We have not altered our audit plan as formally presented to you on 1 February 2024.

# Quality indicators

**KEY:**

**RED:**

Significant improvement required

**AMBER:**

Developing

**GREEN:**

Mature

The following metrics are important in assessing the reliability of your financial reporting and response to the audit

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	GREEN	The financial statements were received timely and were of good quality. We have identified some disclosure changes and some minor presentation errors.
Quality of working papers provided and adherence to timetable	GREEN	Working papers were provided on time, complete, of good quality, and the audit was able to start on time as planned.
Timing and quality of key accounting judgements	GREEN	Management presented their assessment of significant accounting estimates and key judgements to the Audit Committee on 17 April 2024. These are considered appropriate for the Council.
Access to finance team and other key personnel	GREEN	The finance team have been accessible to us throughout the course of the audit. We experienced slight delays in receiving information from the external valuer and the actuary, however this has not had a significant impact on our work.
Quality and timeliness of Narrative Report and Annual Governance Statement	GREEN	We received the AGS and Narrative with the financial statements. We consider the information included to be accurate, however we have suggested some minor amendments to provide additional information on the council's performance to the reader of the accounts.
Volume and magnitude of identified errors	GREEN	We have not noted any material adjustments to the financial statements. However, there are a number of disclosure changes and three unadjusted findings on page 20.

# 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 £1,072k for the Council based on 1.75% of gross expenditure. On production of the financial statements we reconsidered our materiality determination. We have not updated our materiality as communicated in the Audit Plan.

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	1,072	1,072	This is the equivalent of 1.75% of gross revenue expenditure based on the 2023/24 draft financial statements. 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	750	750	Performance materiality has been set at 70% of overall materiality. 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.
Trivial threshold	53	53	This is set at 5% of the headline materiality calculation.  Individual errors above this threshold are communicated to those charged with governance.

# Key audit findings: significant risks

## Significant risks at the financial statement level

The table below summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Management override of controls</b></p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals;</li> <li>• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals;</li> <li>• Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy;</li> <li>• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and</li> <li>• Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.</li> </ul>	<p>Our audit work has not identified any significant issues in respect of this risk.</p> <p>We have highlighted an internal control recommendation in relation to journals in Appendix I.</p>



# Key audit findings: significant risks

## Significant risks at the assertion level for classes of transaction, account balances and disclosures

The tables below summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Fraud in revenue recognition and expenditure (rebutted)</b></p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to:</p> <ul style="list-style-type: none"> <li>• Little incentive by management to manipulate revenue recognition; and</li> <li>• Limited opportunity to manipulate revenue recognition.</li> </ul> <p>We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below:</p> <ul style="list-style-type: none"> <li>• Little incentive by management to manipulate expenditure recognition; and</li> <li>• Limited opportunity to manipulate expenditure recognition.</li> </ul> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Revenue and expenditure recognition: Low</b></li> </ul>	<p>Whilst we have rebutted the risk of fraud in income and expenditure, we performed the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the Council's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements</li> <li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems;</li> <li>• Evaluating the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code.</li> <li>• Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year.</li> </ul>	<p>Our audit work has not identified any significant issues in respect of this risk.</p>

# Key audit findings: significant risks

## Significant risks

### **Valuation of other land and buildings and investment property (key accounting estimate)**

Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.

The council carries out a full revaluation each year. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024.

The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.

Investment property is valued annually at fair value, in line with the CIPFA Code. Fair values are categorised by their level in the fair value hierarchy where the Council's investment property portfolio has been assessed as either level 2 or level 3 for valuation purposes.

## Audit approach

Procedures performed to mitigate risks of material misstatement in this area include:

- Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- Evaluating the competence, capabilities and objectivity of management's valuation expert;
- Considering the basis on which the valuations are carried out and challenging the key assumptions applied;
- Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor's expert;
- For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding;
- Considering whether year on year variances resulting from a change in the approach by management's expert indicate any errors in previous year's valuations;
- Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct.
- Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.
- We engaged an auditor's expert to support our work in relation to this risk.

# Key audit findings: significant risks

Significant risks	Audit findings and conclusion
<p><b>Valuation of other land and buildings and investment property (key accounting estimate) continued.</b></p> <p>These valuations represent key accounting estimates made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings and investment property as a significant risk.</p> <p>We have pinpointed the significant risk around the following:</p> <ul style="list-style-type: none"><li>- Assets where the valuation movement differs to what we would expect based on market movements;</li><li>- Assets where the inputs used have changed compared to those used in the prior year;</li><li>- Assets that are new this year;</li><li>- Any other factors which in our auditor judgement increases the risk of material misstatement in an asset.</li></ul> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"><li>• <b>Land and buildings and investment property (valuation): High</b></li></ul>	<p>Based on our work performed, we have identified that the Council should have reclassified the ground lease asset for the Bakers Lane precinct to an asset held for sale, prior to being revalued by the Councils auditors. This is due to it meeting the criteria as set out within IFRS 5.</p> <p>Assets held for sale should be held at the lower of carrying amount and fair value less costs to sell. The Council had incorrectly held this asset at fair value and an adjustment of £1,250k has been made to reclassify this as an asset held for sale as well as removing the revaluation increase of £395k processed as part of the 23/24 valuation process.</p> <p>Aside from the above which will be processed in the final version of the financial statements, our audit work has not identified any significant issues in respect of this risk.</p>

# Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Valuation of the defined pension fund net liability (key accounting estimate)</b></p> <p>An actuarial estimate of the net defined pension liability is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Defined pension fund net liability (valuation): High</b></li> </ul>	<p>Procedures performed to mitigate risks of material misstatement in this area include:</p> <ul style="list-style-type: none"> <li>• Evaluating management's processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work;</li> <li>• Evaluating the competence, capabilities and objectivity of the actuary;</li> <li>• Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete;</li> <li>• Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert;</li> <li>• Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements;</li> <li>• Assessing whether any asset ceiling was appropriately considered in the prior year and if there are any potential adjustments required to the prior year accounts;</li> <li>• Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts' and</li> <li>• Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.</li> </ul>	<p>Following the receipt of the pension fund assurances we have identified an unadjusted error relating to reduced rate of return reported by the pension fund auditor. This is due to the pension fund receiving updated net asset values for the fourth quarter of 23/24 and has led to decrease to plan assets of £819k, with a corresponding impact on interest income and return on plan assets.</p> <p>(£92k of this relates to interest income and £727k related to the return of plan assets)</p> <p>Aside from the above, our audit work has not identified any significant issues in respect of this risk.</p>

# Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management	No issues to report
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	There were no such concerns identified	No issues to report
Concerns identified in the following: <ul style="list-style-type: none"> <li>• Consultation by management with other accountants on accounting or auditing matters</li> <li>• Matters significant to the oversight of the financial reporting process</li> <li>• Adjustments / transactions identified as having been made to meet an agreed budget</li> </ul>	There were no such concerns identified	No Issues to report

# Accounting policies, key judgements and estimates

## Accounting policies

We have evaluated the appropriateness of the Council's accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 where appropriate. We have no matters to report.

## Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management are set out in the table below, along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Valuation of other land and buildings and investment property (Key accounting estimate)	41,458	<p>The Council revalues its land and building assets on a rolling five-yearly basis, however it is also required to ensure that the carrying amount is not materially different from the fair value for assets that were not revalued at the 31 March 2024. Investment property is revalued annually.</p> <p>The majority of buildings are valued on an Existing Use value, there were a smaller number of buildings valued on a Depreciated Replacement Cost basis.</p> <p>The Council engaged an external professional valuer (Gerald Eve) to perform the valuation of land and buildings in 2023/24.</p>	<ul style="list-style-type: none"><li>• We assessed the appropriateness of the valuation basis used in line with our knowledge of the functions of the assets.</li><li>• We confirmed the experience and objectivity of management's expert.</li><li>• We reviewed the assumptions and comparable data used by management's expert for reasonableness.</li><li>• We have used an auditor's expert to provide assurance over the valuation approach used by managements expert.</li><li>• For assets not revalued in year we have reviewed how management have assessed that the value is not materially different to their current value.</li></ul>

# Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Valuation of the defined pension fund net liability/asset (key accounting estimate)	11,033	<p>The Council is a member of the Staffordshire Local Government Pension Fund (LGPS). The Council's net pension liability as at 31 March 2024 is £11,033k compared to £11,630k at 31 March 2023.</p> <p>On 01 April 2023 the Council's previously outsourced leisure centres were brought back into the Council's wholly owned subsidiary LWMTS. The employees associated with the leisure centres were already members of the LGPS and are now included within the pension disclosures for the Council.</p> <p>Hymans Robertson provide actuarial valuations of the Council's share of the assets and liabilities of the pension fund.</p>	<ul style="list-style-type: none"> <li>Reviewed the information provided to the actuary by the Council</li> <li>Assessed the expertise, experience and objectivity of the expert used by management.</li> <li>We have reviewed the approach and assumptions used by management's expert (Hymans Robertson).</li> <li>We have used an auditor's expert (PWC) to assess the reasonableness of the assumptions used by management's expert.</li> <li>We have held discussions with the auditors of the pension fund (KPMG) to understand the reasonableness of the asset values and scheme membership data used by the actuary.</li> <li>Reviewed the arrangements for the treatment of the leisure staff that have transferred to LWMTS</li> </ul>

Assumption	Actuary value	PWC range	Assessment
Discount rate	4.85%	4.80-4.85%	Within acceptable range
Pension increase rate	2.75%	2.75-2.80%	Within acceptable range
Salary growth	3.25%	2.80-3.85%	Within acceptable range
Life expectancy – males currently aged 45-65	21.2 /21.8 years	PWC have concluded that these are reasonable and robust approaches for IAS 19 reporting which give a reasonable best estimate of current mortality rates.	
Life expectancy – females currently aged 45-65	24.4/ 25.6 years		

# Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	2,144	Building depreciation is based on the asset lives determined by professional valuers. Plant and machinery, medical equipment and intangibles are based on industry standards and key staff knowledge and experience. Asset lives remain under constant review.	We have no issues to report in response to this area.
Accruals	3,999	Accruals are created where the Council has incurred a liability but has not yet received an invoice or made a payment against the liability. These accruals are calculated on the latest information available at the time and are reviewed by the management accounting team.	We have no issues to report in response to this area.
Provisions	2,395	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. The council currently has one material provision within its accounts which for NDR appeals.	We have no issues to report in response to this area.



# Financial statements: other responsibilities

Matter	Commentary	Findings
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with management and the Audit Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit.	We are satisfied that there is no risk of material misstatement due to fraud.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.	We have no issues to report in response to this area.
<b>Matters in relation to compliance with laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any instances from our audit work.	We have no issues to report in response to this area.
<b>Written representations</b>	A letter of management representations will be requested from the Council once we have concluded our work on the significant risk areas of the accounts.	A draft Letter of Representation has been provided to the Audit Committee. We have included a specific representation regarding the holiday pay accrual as management cannot reliably estimate its value; however, we are satisfied that this could not be materially under or overstated.
<b>Confirmation requests from third parties</b>	We requested permission from the Council to send confirmation requests to organisations with whom the council has balances for investments and/or borrowing. Confirmations are still outstanding from a number of these organisations.	We have no issues to report in response to this area.
<b>Disclosures</b>	Our review found no material omissions in the financial statements	We have no issues to report in response to this area.

# Financial statements: other responsibilities

Matter	Commentary	Findings
<p><b>Going concern</b></p>	<p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).            Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the ‘CIPFA Code’ and Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Council.</p>	<p>We concur with management’s assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.</p>
<p><b>Other information included in the Financial Statements: Narrative Report and Annual Governance Statement</b></p>	<p>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.</p>	<p>We identified some minor changes to provide additional information on the council’s performance to the reader of the accounts.</p>
<p><b>Matters on which we report by exception</b></p>	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• If we have applied any of our statutory powers or duties</li> <li>• Where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness</li> </ul>	<p>We have nothing to report by exception.</p>

# Financial statements: other responsibilities

Matter	Commentary	Findings
<b>Specified procedures for the Whole of Government Accounts (WGA)</b>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the threshold for detailed testing.</p>	<p>We will submit our partial assurance statement to the NAO after the audit has been concluded and await further guidance on whether or not any additional testing is required.</p>
<b>Certification of closure of the audit</b>	<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>	<p>We cannot issue our certificate of closure until the NAO have confirmed whether any additional testing is required for WGA. Our auditor's report will therefore include a delayed certificate.</p>

# Audit adjustments

## Impact of adjusted misstatements

The table below provides details of adjustments identified during the audit which have been amended for.

Detail	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on general fund £000
To correct the ground lease at Bakers Lane precinct to be held as an asset held for sale at the lower of the current value and the fair value less costs to sell:			
DR Gain on revaluation £395k	(395)		
DR Assets held for sale £1,250k		1,250	
CR Other land and buildings (£1,645k)		(1,645)	
<b>Overall impact</b>	<b>(395)</b>	<b>(395)</b>	<b>NIL</b>

# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made in the final set of financial statements. **The Audit Committee is required to approve management's proposed treatment of all items in the table below.**

Detail	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on general fund £000
Surplus land was held at the correct value within the accounts upon being transferred to assets held for sale: DR Revaluation Reserve £250k CR Assets held for sale (£250k)		250 (250)	
Incorrect indices were used by the external valuer to calculate the value of other land and building assets valued at depreciated replacement cost. This resulted in the values being understated in the accounts. DR Fixed assets - other land and buildings CR Revaluation reserve		279 (279)	
A debtor was incorrectly included in the year end balance due to a duplicate invoice being entered onto the system. This had not been paid by the Council and has since been removed. Actual error value was £44k, and the extrapolated error value was £306k DR Income - fees and charges CR Short term debtors	(306)	(306)	(306)
Based on pension fund assurances, it is confirmed that there is an actual rate of return of 12.41%. DR Interest income and return on plan assets CR Plan assets DR Asset ceiling adjustment (nil impact due to the asset ceiling cap) CR Asset ceiling adjustment (nil impact due to the asset ceiling cap)	(819)  819	(819) 819	
<b>Overall impact</b>	<b>(306)</b>	<b>(306)</b>	<b>(306)</b>

# 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?
The Note 38 disclosure of the MIRS reversal of net charges made to the surplus of deficit on provision of services adjustment incorrectly includes other pensions reserve movements. The figures disclosed in Note 6 as adjustments between accounting and funding basis are aligned with expectations	The £(856)k should be updated to read £(2,523)k in line with Note 6. The PY comparative should also be updated from £19,801k to £(5,351)k in line with Note 6.	Y
The asset ceiling adjustment has not been included in in the table in Note 38, however the total figure is correct.	Include the value of £10,380k for the asset ceiling in note 38.	Y
Note 12 does not include any commentary to explain the asset held for sale which is a material value in the accounts.	Narrative should be included in note 12 regarding the asset held for sale.	Y
The figures for income and expenditure from investment properties in Note 14 have the opposite sign from PY, with income now being negative when it was previously positive. The narrative for the gains / losses has not been updated, therefore the £960k net gain presents as a loss	The wording should be updated to "(gains) / losses" for the revaluation and net lines..	Y
The senior officers' remuneration disclosed in note 31 includes the Council's National Insurance contributions attributable to those members of staff. This is incorrect as the disclosure should only reflect remuneration received by senior officers.	These should be adjusted to reflect only remuneration received by senior officers.	Y
We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts.	Management should adjust for all minor presentational, formatting and disclosure issues identified by the audit team	Y

# 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?
Within note 15 the disclosure for “financial assets for which fair value not disclosed” includes interest received for money market funds (£112k), however this is inconsistent with the disclosures for diversified and property funds within the same disclosure table and should be removed.	The accrued interest should be removed so the disclosure is consistent across asset types.	Y
The audit fee for our housing benefit work is £2k higher as the Council included an amount for an additional HB workbook to be completed.	The fee should be amended so it is consistent with the audit plan as we have not concluded the HBAP work so cannot confirm the number of additional workbooks.	Y
A number of figures included in Note 29 were not split between Tamworth Borough Council and LDC correctly, although the overall figures were correct.	Management should update the disclosures to reflect the correct allocation.	Y
A minor tweak required to note 5 to update for the fact that the baker street land exchange has now completed.	Minor change to note the expected exchange in early 24/25 has now completed.	Y
A number of disclosures relating to operating leases were missing from the draft accounts in note 36.	These should be updated to comply with chapter 4 of the CIPFA code.	Y

# Audit adjustments

## Impact of prior year unadjusted misstatements

The table below sets out the adjustments identified during the prior year audit that have not been adjusted in the final set of financial statements for 2023/24. The Audit Committee is required to approve management's proposed treatment of all items in the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on equity£'000	Reason for not adjusting
Asset revalued to £865,000 but is carried at the unadjusted amount of £1,250,000	-	Credit-NCA -£385	Decrease surplus £0	Debit -Revaluation reserve £385	Impact is considered immaterial.
Overall impact	-	-£385	£0	£385	



# 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 and the requirements of Auditor Guidance Note 3 ('AGN 03').

In undertaking our work, we have not identified any significant weaknesses in arrangements. Our detailed commentary is in our Auditor's Annual Report.

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

# 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 and further to our audit plan issued confirming audit arrangements we confirm that there are no further 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:** There are no non-audit services provided for the Council OR we provide assurance services as set out below
- **Contingent fees:** No contingent fee arrangements are in place for any services provided
- **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  Self-review  Management	Self-interest: Given these are likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or the Council. The fees are fixed and not contingent in nature.  Self-review: Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management.  Management: As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report.  We therefore consider these risks sufficiently mitigated.

# Appendices

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# Appendix I: Internal control recommendations

We set out here the recommendations we have identified during the course of our audit. The matters reported here are limited to deficiencies we have identified during the course of our audit 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	Recommendation	Management response
<b>Amber</b>	<p>The Section 151 (S151) officer does not have the rights to post journals within the Civica Financials system which is a control measure to prevent management override of control.</p> <p>Our journals testing identified a small number of journals which were prepared and posted by a member of the finance team after being asked to do so by the S151, effectively circumnavigating the above control.</p> <p>The journals that the S151 officer requested to be posted were in relation to specific areas of the statement of accounts, could be properly supported by working papers, and were not deemed to be unusual or outside of the normal course of business. There are compensating reconciliation controls performed by other members of the finance team that would detect any unusual movements in the ledger accounts for which the S151 requested journal postings. We did not observe any evidence of management override of controls through such journals.</p>	<p>Management should remove the need for the S151 to prepare journals.</p> <p>Alternatively, management should consider assigning journal posting rights to the S151 officer to allow them to post the journals that they require whilst also implementing a more rigorous review process for any journals posted by the S151 officer.</p>	<p>Due to lack of capacity within the finance team, Anthony has to complete areas such as the collection fund, which is not ideal. There is a new member of staff starting that should increase capacity and allow this to be taken back off of Anthony. The finance team have been gradually taking responsibilities off Anthony for work that may require journals, such as PPE.</p> <p>The following mitigating controls exist currently:</p> <ul style="list-style-type: none"> <li>- The Financial Systems Advisor enters and reconciles the Collection Fund journal entries throughout the year using the RRV 403 reports and the bank reconciliation without my involvement.</li> <li>- The year-end journal entries I am involved in are generated by the CIPFA model and the year-end Collection Fund balances are reconciled to the CIPFA model.</li> <li>- All other areas of the financial statements are reconciled and managed by Business Advisors to ensure no erroneous or incorrect journal are entered and posted.</li> <li>- In addition, for Business Rates we complete the NNDR3 for Government that is reconciled to the financial statements.</li> </ul>

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

# Appendix I: Internal control recommendations

We set out here the recommendations we have identified during the course of our audit. The matters reported here are limited to deficiencies we have identified during the course of our audit 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	Recommendation	Management response
Amber	There is not a formalised process for removal of users from the finance system (Civica) once they leave the Council. As a result, leavers may still have access to applications relevant to financial reporting processes and/or a leaver's account may be accessible to other users if not timely removed.	We recommend that a formal process is put in place for user deprovisioning, this should involve being notified of users leaving the organisation and their access being removed in timely manner.	Single Sign On means that such systems use our Microsoft Azure Active Directory accounts for identity. If an active account does not exist in our Microsoft Azure Active Directory then access will not be granted. This is a standard of cloud-based systems and something we encourage be used wherever cloud-based systems are in use. In practice it means that as soon as ICT are informed that some has left the business then their accounts are disabled and that includes access to financial systems.
Amber	There are a range of system administrator accounts in place which are used by the supplier, Civica, to provide support to the finance system when required, including those actions which would be limited to privileged access accounts. However, Civica staff are not required to provide prior notice before accessing the system. As access to systems relevant to financial reporting processes is not attributable to individual users, this reduces the ability to monitor appropriate and/or inappropriate activities in the system.	We recommend that any supplier accounts a restricted from accessing the system without out prior notice through the introduction of technical restrictions, such as requiring MFA provided by the Council prior to accessing the accounts.	We will disable these accounts and Civica will have to get in touch when they need access.

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

# Appendix II: Fees

We set out below our final fee for the audit (excluding VAT and disbursements) and our fees for other services.

	Proposed fee (as per Audit Plan) £	Final fee £
Base fee for the audit of the Council financial statements (as set out in the fee scales issued by PSAA)	139,087	139,087
ISA 315	20,863	20,863
Use of an auditor's expert for PPE valuation	0	7,000
Group accounts assessment	2,500	2,500
<b>Total fees charged</b>	<b>162,450</b>	<b>169,450</b>

## Assurance service fees

Service	Fee £
Housing Benefit 2023/24 *	28,000

\* Subject to change based on complexity of HBAP grant certification. Additional workbooks are charged at £2,000 each.

The audit fees charged reconcile to the fees disclosed in the financial statements.

The fees relating to Housing Benefit Assurance are £30,000 in the draft accounts, compared to £28,000 in our audit plan, as the Council has included the cost of an additional housing benefit workbook.



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