

# Audit and Governance Committee

## Agenda

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<b>Date:</b>	<b>Thursday, 29th May, 2025</b>
<b>Time:</b>	<b>10.30 am</b>
<b>Venue:</b>	<b>The Capesthorne Room - Town Hall, Macclesfield SK10 1EA</b>

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The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

It should be noted that Part 1 items of Cheshire East Council decision making meetings are audio recorded and the recordings will be uploaded to the Council's website

### **PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT**

1. **Apologies for Absence**

To receive apologies for absence from Members.

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary interests, other registerable interests, and non-registerable interests in any item on the agenda.

3. **Minutes of Previous Meeting** (Pages 3 - 10)

To approve as a correct record the minutes of the meeting held on 31 March 2025.

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For requests for further information

**Contact:** Nikki Bishop, Democratic Services Officer

**Tel:** 01270 686462

**E-Mail:** [CheshireEastDemocraticServices@cheshireeast.gov.uk](mailto:CheshireEastDemocraticServices@cheshireeast.gov.uk)

4. **Public Speaking Time/Open Session**

In accordance with paragraphs 2.24 of the Council's Committee Procedure Rules and Appendix on Public Speaking a total period of 15 minutes is allocated for members of the public to put questions to the committee on any matter relating to this agenda. Each member of the public will be allowed up to two minutes each to speak, and the Chair will have discretion to vary this where they consider it appropriate.

Members of the public wishing to speak are required to provide notice of this at least three clear working days' in advance of the meeting and should include the question with that notice.

5. **Action Log** (Pages 11 - 12)

To receive an update on the committee action log.

6. **Provisional Audit Planning Report of Ernst & Young LLP - 2024/2** (Pages 13 - 68)

To consider the provisional audit planning report by Ernst & Young LLP (EY).

7. **Internal Audit Update - Progress against Internal Audit Plan 2024-25** (Pages 69 - 92)

To receive an update on the Internal Audit Plan 2024-25.

8. **Recruitment of Co-Opted Independent Members** (Pages 93 - 98)

To consider the report on the terms of officer for the co-opted independent members of the committee.

9. **Work Programme** (Pages 99 - 104)

To consider the Work Programme.

**Membership:** Councillors S Adams, M Beanland (Chair), L Braithwaite, B Drake (Vice-Chair), R Fletcher, A Heler, C Hilliard, P Redstone, J Snowball, Mr R Jones and Mrs J Clark.

**CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Monday, 31st March, 2025 in the Capesthorne Room, Macclesfield  
Town Hall, SK10 1EA

**PRESENT**

Councillor M Beanland (Chair)  
Councillor K Edwards (Vice-Chair)

Councillors B Drake, S Adams, A Heler, P Redstone, J Snowball, Mr R Jones  
and Mrs J Clark.

**OFFICERS IN ATTENDANCE**

Janet Witkowski, Acting Governance, Compliance and Monitoring Officer  
Adele Taylor, Interim Executive Director of Resources and S151 Officer  
Sal Khan, Interim Director of Finance  
Josie Griffiths, Head of Audit, Risk and Assurance  
Michael Todd, Acting Internal Audit Manager  
Gareth Pawlett, Director of Digital  
Julie Gibbs, Data Protection Officer  
Nikki Bishop, Democratic Services Officer

**63 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor G Marshall and  
Councillor C Hillard. There were no substitutes present.

**64 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**65 MINUTES OF PREVIOUS MEETING****RESOLVED:**

That the minutes of the meeting held on 24 February 2025 be approved as  
a correct record and signed by the Chair.

**66 PUBLIC SPEAKING TIME/OPEN SESSION**

There were no registered speakers.

**67 ACTION LOG**

The committee noted that all outstanding issues on the action log had  
been completed/were on the agenda for today's meeting.

**RESOLVED:**

The action log be received and noted.

**68 UNIT 4 BRIEFING**

The committee considered the report which provided an update on a range of activities designed to enhance the usability, efficiency and perception of Unit4 in Cheshire East through various initiatives including governance changes, functionality improvements, performance enhancements and process reengineering.

Concerns of School Business Managers following a review of Unit4 were raised and noted. It was confirmed that the feedback from schools would form part of the improvement work of Unit4 and that there was work underway to pick up issues however statutory elements such as payroll and HMRC returns had to be prioritised to ensure that the authority carried out its statutory duty.

The committee agreed that effective communication and engagement was key as changes were implemented and improvements made. It was important that customer satisfaction needed to be built into the overall programme as part of the performance management framework going forward. The committee were pleased that performance reporting would include measures on customer satisfaction.

It was queried if there were any anticipated cost overruns as a result of the service improvements that had been identified. It was noted that the current known requirements for the costs of change were reflected in the budgets approved by the council in the Medium-Term Financial Strategy 2025-26 – 2026-29 however it was too early to fully estimate the full financial impacts and that this would need to be monitored throughout the process. It was clarified that whilst the approved budget included costs of redesign, more significant options/changes, such as a disaggregated service, would need careful consideration and supporting High Level Business Case. All options were being explored, and no final decisions had been made the priority of the review was to optimise the Unit4 system.

**RESOLVED:**

That the briefing report be received and noted.

**69 COMPANIES AUDITED FINANCIAL STATEMENTS, EXTERNAL AUDIT FINDINGS AND ACTION PLAN 2023/2024**

The committee considered the report which presented the audited financial statements of ANSA Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2023-24.

The committee noted the internal control issue/risk relating to VAT, and that testing performed during the course of the external auditors' work noted that multiple invoices had been dated pre year end but not invoiced by suppliers resulting in incomplete accrued expenses and VAT recoverable. Members queried if the council took steps to reclaim VAT at the earliest opportunity. In response, officers confirmed that processes were in place to recoup VAT at the earliest opportunity and the issue reported by the external auditor reflected a timing difference in how VAT is reported in the VAT return and that reported in the general ledger trial balance figure. This matter was raised in the prior year audit and the difference between the two figures related to March invoices paid in April which are included in the VAT return for March (at the end of April) and whilst the expense was recognised in the accounts to 31 March via accruals, the VAT on the expense was not recorded until the invoice was processed/paid in April. The VAT return process and related data from Unit4 ERP was consistent across the Cheshire East Group.

The committee queried the issue reported in relation to 'cash at bank' and the external auditors' comments that when performing their bank reconciliation, it was noted that the reconciling items on the bank reconciliation were not true reconciliation items. Assurance was provided that this related to small differences in the timing of payments (payments that were received after the cut-off – typically in the evening, via online payments). A live check-in of the bank account would be performed on 31 March into the evening to ensure that any late transactions were captured and coded before the end of year cut off.

**RESOLVED:**

That the Audit and Governance Committee

1. Note the Audit Findings Reports for each Council owned company for the year ending 31 March 2024.

**70 CERTIFICATION OF HOUSING BENEFIT SUBSIDY CLAIM AND TEACHERS PENSIONS RETURN 2023-24**

The committee received the report which presented the outcome of the External Auditors' certification progress for the 2023-24 Housing Benefit Subsidy claim and the 2023-24 Teachers' Pension End of Year Certificate.

It was noted that External auditors, KPMG, undertook the assurance processes. The audit of the Housing Benefits Subsidy Claim was completed with no errors or exemptions and no recommendations for improvements made to the Department of Work and Pensions. The audit of the 2023-24 Teachers' Pension End of Year Certificate identified two exceptions, which were reported to management to prevent re-occurrence.

**RESOLVED:**

That the Audit and Governance Committee

1. Note that, as a result of the audit testing of the 2023/24 Housing Benefit Subsidy claim, no errors or exemptions were found and no recommendations for improvements were made to the Department of Work and Pensions.
2. Note that following the audit of the 2023/24 Teachers' Pension End of Year Certificate, two errors/findings were reported to management.

**71 WHISTLEBLOWING POLICY UPDATE**

The committee received a verbal update on the progress made to date in developing a revised Whistleblowing Policy. It was reported that a working-group of the Audit and Governance Committee would be arranged and was hoped to take place before the end of the month.

Consultation and development of the policy had involved a wide-range of staff, including: HR Business Partners, Brighter Future Champions, the Monitoring Officer and newly appointed Director of People. The discussions with these individuals/groups had been extremely positive and resulted in further amendments being made to the policy. It was reported that a confidential draft of the policy would be shared with members of the working group.

It was confirmed that a wide package of supporting documentation would be developed to support the roll-out of the revised Policy, including E-Learning training and a Frequently Asked Questions guide.

The committee welcomed the update, and the engagement that had been undertaken to date with staff across the organisation which provided assurance that the policy would be meaningful and well understood by those who may need to engage with it, in the future.

The proposed final policy would be considered by the Audit and Governance Committee in May, which would subsequently be recommended to Full Council in July for adoption.

**RESOLVED:**

That the verbal update be received and noted.

**72 INTERNAL AUDIT PLAN 2025-26**

The committee considered the report which set out the proposed Internal Audit Plan for 2025-26. The proposed plan, if delivered, would provide sufficient coverage for the Head of Audit, Risk and Assurance to provide

their annual Internal Audit Opinion for 2025-26 at the end of the municipal year.

The committee queried the resources that were available to deliver the plan, and if these were sufficient. It was reported that whilst the resources within the Internal Audit Team were adequate to cover the majority of the work, some specialist areas such as ICT, would need to be delivered through external support, which was within agreed budgets. It was highlighted that, should the committee agree the plan, minor changes throughout the year would be approved by the Governance, Compliance and Monitoring Officer and Executive Director of Resources and S151 Officer, and any major changes would be brought back to the committee for further consideration.

The committee asked a number of questions, as summarised below.

The committee queried the new changes arising from the recently introduced CIPFA standards for internal audit. It was agreed that this issue would be best covered through an all-committee briefing however a number of the key principles remained the same. Officers committed to arranging a briefing session for the committee.

The new Artificial Intelligence (AI) platform policy and framework, agreed earlier this month by the council's Corporate Policy Committee, was noted. It was anticipated that the introduction of the new framework/policy would generate substantial savings. The committee queried if the internal audit plan would review potential financial risks and the processes and controls in place. It was confirmed that various lead officers attended the 'Strategic Information Governance Group' where applications and specific uses for AI would be consulted and considered to ensure they did not undermine the control environment. Data analytics and AI were an area that the internal audit team would be exploring further.

The committee sought assurance that the council would be compliant with the Procurement Act 2023, which was effective from February 2025 and how this affected council procedures. Officers confirmed that there was a plan to review controls/measures in place to ensure that the council was compliant with the Act and that assurance would be provided to the committee at a later stage.

**RESOLVED (unanimously):**

That the Audit and Governance Committee

1. Approve the Internal Audit Plan 2025/26.
2. Note that the plan details priority work during quarters 1 and 2 along with additional areas for consideration during quarters 3 and 4. Progress against the plan and the priorities for the last 6 months of

2025/26 will be reported back as part of the regular updates to the committee.

### **73 SCHOOL CATERING - DECISION OF CHILDREN AND FAMILIES COMMITTEE**

The committee received the report which responded to concerns raised by Audit and Governance committee members regarding the decision taken by the Children and Families Committee in relation to school catering. Members had queried the governance process that this had followed and its subsequent impact on the Adults and Health Committee.

The committee welcomed the report, and the steps that the Governance, Compliance and Monitoring Officer had taken to investigate the timeline and process followed, and their findings and conclusions.

The committee noted the amendments made to the Constitution last year which provided that, where a matter covered more than one committee's terms of reference, the matter would, in consultation with the relevant committee Chair, Vice Chair and main opposition group member, be placed on the agenda of the committee where the majority of the matter, report or recommendation/s fall. Prior to the matter being placed on the agenda, the report on the matter would be circulated to the non-majority committee members ('the minority committee') for comments, which would be provided by way of a verbal update to the majority committee, when the matter was due to be presented. The Chair or any other member of the minority committee would be able to attend the meeting to speak on the item and the Chair of the majority committee would exercise their discretion in favour of allowing them to do so. The committee agreed this would place greater responsibility upon lead officers and Chairs to ensure that this was process was followed correctly.

#### **RESOLVED:**

That the briefing report be received and noted.

### **74 BI-ANNUAL UPDATE ON INFORMATION REQUESTS**

The committee received the report which provided a six-month update on information requested received under the relevant information rights legislation (Freedom of Information Act 2000, Environmental Information Regulations 2004, Data Protection Act 2018 and UK General Data Protection Regulation).

The committee noted that FOI/EIR requests continued to increase at a rate of 14% and that compliance had dropped slightly from 90% to 88%, primarily as a result of increased demand and complexity of requests. Requests received under DPA/GDPR did not increase in the first half of 2024-25 compared to the same period the previous year. There was a reduction by 2% and compliance had improved from 81% to 85%.



The committee noted that the council proactively published information that was of particular interest to members of the public/requesters however this sometimes generated more requests for further information.

The committee thanked officers for the report and the assurances it provided.

**RESOLVED:**

That the Audit and Governance Committee note the report and update provided on information requests.

**75 WORK PROGRAMME**

The committee considered the Work Programme. The following issues were noted:

- The committee raised concerns in relation to protocols for members of the public and visiting members to speak at committee meetings. Members also highlighted concerns regarding the extent of officer delegated decisions and the impact that these decisions had on local ward members. Members felt that further work was needed for members to fully understand the nature of delegations to officers and agreed that the rights of ward members needed to be protected when decisions impacting their wards were made. In response, officers confirmed that these matters were being picked up by the Corporate Leadership Team.

**RESOLVED:**

That the Work Programme be received and noted.

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**Audit and Governance Committee - Action Log**

Committee Date	Action	Lead Officer	Update on Progress
March 2025	The committee queried the new changes arising from the recently introduced CIPFA standards for internal audit. It was agreed that this issue would be best covered through an all-committee briefing however a number of the key principles remained the same. Officers committed to arranging a briefing session for the committee	Head of Audit, Risk and Assurance	

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OPEN

## **Audit and Governance Committee**

**29 May 2025**

### **Provisional Audit Planning Report of Ernst & Young LLP - 2024/25**

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**Report of: Adele Taylor, Interim Executive Director of Resources  
(s151 Officer)**

**Report Reference No: AG/17/25-26**

**Ward(s) Affected:** (All Wards);

### **Purpose of Report**

- 1 The purpose of this report is to provide the Audit and Governance Committee with the provisional audit planning report by Ernst & Young LLP (EY) which aims to provide the Committee with a basis to review the proposed audit approach and the scope for the 2024/25 audit.
- 2 The report is provided for the Committee's responsibilities in ensuring assurance over both the quality of the draft financial statements and the Council's wider arrangements to support a timely and effective audit.

### **Executive Summary**

- 3 The Provisional Audit Planning Report by EY, the Council's external auditor sets out the 2024/25 audit strategy set against the context of timely and high-quality financial reporting and audits being essential for effective decision-making, transparency, and accountability in local bodies.
- 4 The report identifies the national delays (backlog) in publishing audited financial statements have become unacceptable, the key reason and the measures developed to manage the backlog and the launch in December 2024 of the Governments strategy for reforming the local audit system in England.

- 5 As detailed in EY's Interim Audit Results Report presented to the Audit and Governance Committee on 20/02/2025, EY anticipate issuing a disclaimed audit opinion on the Council's 2023/24 financial statements
- 6 The Planning Report sets out EY's approach to the 2024/25 audit, as a result of the implications of a disclaimed audit. In addition, EY highlight that they expect to again issue a disclaimed audit opinion in 2024/25 having not gained assurance over the closing balances in 2023/24.
- 7 The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025.
- 8 To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. Where these conditions are not met, EY will report back to the Committee.
- 9 As the Council's appointed auditors, representatives of EY will attend the Committee to present their report on the Audit Plan directly to Members.

#### **RECOMMENDATIONS**

The Audit and Governance Committee is recommended to:

1. Note the Provisional Audit Planning report by Ernst & Young (LLP) for 2024/25 and that following completion of their planning procedures, EY will update the Committee on any changes in identified audit risks.

## **Background**

### **Audit of Accounts**

- 10 The auditors are responsible for giving an opinion on:
  - (a) Whether the accounts give a true and fair view of the financial position of the Council and the Group as at 31st March 2025 and of the Council's and the Group's expenditure and income for the years then ended;
  - (b) Whether they have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25;

- (c) Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

**Provisional Planning Report 2024/25**

- 11 The EY report sets out the 2024/25 audit strategy set against the context of timely and high-quality financial reporting and audits being essential for effective decision-making, transparency, and accountability in local bodies. National delays in publishing audited financial statements have become unacceptable. Key reasons for the backlog include insufficient capacity in local authority financial accounting, increased complexity of reporting requirements, limited capacity in audit firms with public sector experience, and heightened regulatory pressure on auditors.
- 12 To address these issues, the Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partner to develop measures to address the backlog. The report sets out that measures such as SI 2024/907, the NAO Code, and the Local Authority Reset and Recovery Implementation Guidance have been created to ensure auditor compliance with International Standards on Auditing (UK). In December 2024, the Government launched a strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office.
- 13 The approach to addressing the backlog involves three phases:
- Reset: Clearing the backlog of audit opinions up to 2022/23 by December 2024.
  - Recovery: Using backstop dates from 2023/24 to prevent recurrence and rebuild assurance.
  - Reform: Addressing systemic challenges and embedding timely financial reporting and audits.
- 14 As detailed in EY's Interim Audit Results Report presented to the Audit and Governance Committee on 24/02/2025, EY anticipate issuing a disclaimed audit opinion on the Council's 2023/24 financial statements.
- 15 Having not gained assurance over the closing balances in 2023/24, EY report that they do not have assurance over the opening balances for 2024/25. Hence, this means EY do not have assurance over in-year movements and some closing balances for 2024/25.

- 16 As reported in February to the Committee, the implications of receiving a disclaimed audit in one year means that it is unlikely that the external auditor will have sufficient evidence to gain reasonable assurance over all closing balances for 2024/25 and therefore EY indicate that they expect to again issue a disclaimed audit opinion in 2024/25.
- 17 EY report that they will not be undertaking procedures to rebuild assurance in 2024/25 ahead of the backstop date in February 2026. Restoring assurance will need local authorities and auditors to work together, this work has already commenced with the 2024/25 Planning visit taking place in March 2025. EY's report indicates that they are waiting for guidance from the National Audit Office and Financial Reporting Council to ensure a consistent approach for restoring assurance for disclaimed periods.
- 18 EY set out that they we will audit the 2024/25 closing balance sheet and in-year transactions, as well as performing additional risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position for 2024/25.
- 19 The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. Where these conditions are not met, EY will:
- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
  - Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where deemed necessary.
  - Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA – Appendix B to EY's report.
- 20 The report further sets out the following:
- Audit risks and areas of focus – Dashboard summary of significant accounting and auditing matters outlined in EY's report which seek to provide the Audit and Governance Committee with



an overview of EY's initial risk identification for the upcoming audit and any changes in risks identified in the current year.

- Group and Council Materiality levels for Planning, Performance (testing) and Audit differences reported upon.
- Value for Money – EY are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. Commentary on value for money arrangements will be included in the 2024/25 Auditor's Annual Report. This should be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.
- Timeline and Audit team
- Group Audit Scope

- 21 As the Council's appointed auditors, representatives of EY will attend the Committee to present their report on the Audit Plan directly to Members.

### **Consultation and Engagement**

- 22 In accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements, EY is required to report to those charged with governance, the audit approach and scope for the 2024/25 audit.

### **Reasons for Recommendations**

- 23 The appointed auditors are required to report to those charged with governance. The Audit Planning Report sets out the proposed audit approach and the scope for the 2024/25 audit for the Committee to ensure assurance over both the quality of the draft financial statements and the Council's wider arrangements to support a timely and effective audit.

### **Other Options Considered**

- 24 Not applicable.

### **Implications and Comments**

*Monitoring Officer/Legal*

- 25 The remit of the committee includes the subject matter of the report.
- 26 There are no legal implications identified.

*Section 151 Officer/Finance*

27 As covered in the report.

*Human Resources*

28 There are no human resources implications identified.

*Risk Management*

29 The audit plan is prepared in accordance with International Standards of Auditing (UK) and means the auditors focus on audit risks that have been assessed as resulting in a higher risk of material misstatement.

*Impact on other Committees*

30 There are no other Community implications.

*Policy*

31 There are no policy implications identified.

*Equality, Diversity and Inclusion*

32 There are no equality implications identified.

*Consultation*

<b>Name of Consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Statutory Officer (or deputy):			
Adele Taylor	S151 Officer	14/05/2025	20 May 2025
Janet Witkowski	Acting Monitoring Officer	14/05/2025	20 May 2025

**Access to Information**

Contact Officer:	Adele Taylor Interim Executive Director of Resources (S151) <a href="mailto:Adele.taylor@cheshireeast.gov.uk">Adele.taylor@cheshireeast.gov.uk</a> 01270 686185
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Appendices:	Appendix A – CEC Audit Planning Report 2024/25
Background Papers:	None.

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# Cheshire East Council

PROVISIONAL Audit planning report

Year ending 31 March 2025

30 April 2025



The better the question. The better the answer. The better the world works.



Shape the future  
with confidence



Audit nad Governance Committee  
Cheshire East Council  
Westfields  
Middlewich Road  
Sandbach  
CW11 1HZ

30 April 2025

Dear Audit and Governance Committee

**Provisional audit planning report**

Attached is our provisional audit planning report for the upcoming meeting of the Audit and Governance Committee. This report aims to provide the Audit and Governance Committee of Cheshire East Council (the Council) with a basis to review the proposed audit approach and scope for the 2024/25 audit. This is in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements. This report summarises our evaluation of the key issues driving the development of an effective audit. We have aligned our audit approach and scope accordingly. The report also addresses the broader impact of Government proposals aimed at establishing a sustainable local audit system.

As the Council's body charged with governance, the Audit and Governance Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will affect the level of resources required to fulfil our responsibilities. We will assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit and Governance Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. We will also consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements if deemed necessary. We direct Audit and Governance Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. Following the completion of our planning procedures we will update the committee on any changes in identified audit risks. We welcome the opportunity to discuss this report with you on 29 May 2025 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

**Hassan Rohimun**

For and on behalf of Ernst & Young LLP

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**3** Value for Money risks

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**6** Audit team

**7** Audit timeline

**8** Independence

**9** Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment and further guidance (updated July 2021)' issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit and Governance Committee and management of Cheshire East Council**. Our work has been undertaken so that we might state to the **Audit and Governance Committee and management of Cheshire East Council** those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Cheshire East Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 2024/25 audit strategy overview



# 2024/25 audit strategy overview

## Context

Timely, high-quality financial reporting and audit of local bodies play a crucial role in our democratic system. It aids in effective decision-making by local bodies and ensures transparency and accountability to local taxpayers. There is a consensus that the delay in publishing audited financial statements by local bodies has reached an unacceptable level, and it is acknowledged that cooperation among all stakeholders in the sector is necessary to address this issue. The reasons for the backlog are well-documented and include: Insufficient capacity within the local authority financial accounting profession; Increased complexity of reporting requirements within the sector; Insufficient capacity within audit firms with public sector experience; and Heightened regulatory pressure on auditors, leading to an expanded scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the Local Authority Reset and Recovery Implementation Guidance, have been created to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. This change follows the December 2024 launch of the Government's strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office. The approach to addressing the backlog consists of three phases:

- **Phase 1: Reset;** clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This is largely complete.
- **Phase 2: Recovery from Phase 1;** from 2023/24, use backstop dates to prevent a recurrence of the backlog and allow assurance to be rebuilt over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements is 27 February 2026. Auditors are waiting for guidance from the system leader to effectively, efficiently and consistently build back assurance over disclaimed audit periods.
- **Phase 3: Reform;** involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As detailed in our Interim Audit Results Report presented to the Audit and Governance Committee on 20/02/2025, we anticipate issuing a disclaimed audit opinion on the Council's 2023/24 financial statements. Having not gained assurance over the closing balances in 2023/24, we do not have assurance over the opening balances for 2024/25. This means we do not have assurance over in-year movements and some closing balances for 2024/25. In the absence of guidance from the System Leader, we will not be undertaking procedures to rebuild assurance in 2024/25 ahead of the backstop date. As a result, we will not be able to obtain sufficient evidence to have reasonable assurance over all closing balances. We therefore expect to again issue a disclaimed audit opinion in 2024/25.

## Rebuild of assurance – current position

The National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIG) 05 on 10 September 2024, detailing the principle of returning to a state where auditors can issue audit opinions on local authority financial statements with sufficient audit evidence. This process will take several years to achieve. Restoring assurance will need local authorities and auditors to work together. We are waiting for guidance from the National Audit Office and Financial Reporting Council to ensure a consistent approach for restoring assurance for disclaimed periods. Until then, we are unable to commence the rebuilding work programme. We will audit the 2024/25 closing balance sheet and in-year transactions, as well as performing additional risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position for 2024/25. Updates on rebuilding assurance for the historical position will be provided as guidance is issued and its implications for the Council are evaluated taking into consideration the outcome of our risk assessment procedures. As the Council's financial statements for 2023/24 were subject to a disclaimer of opinion, it is highly probable that our risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position will conclude that an elevated risk of material misstatement is associated with the reserve balances, because of the way in which they accumulate over successive years.

# 2024/25 audit strategy overview (cont'd)

## Responsibilities of management and those charged with governance

The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. The Audit and Governance Committee has an essential role in ensuring that it has assurance over both the quality of the financial statements and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this conditions are not met, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where deemed necessary.
- Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA. We have set out the factors that will lead to a fee variation at Appendix B, together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

# 2024/25 audit strategy overview (cont'd)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Management Override: Misstatement due to fraud or error	Fraud risk	No change in risk	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Overstatement of Fees, Charges and Other Service Income. Overstatement of Short-term Debtors	Fraud Risk	No change in risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider this risk to be relevant to those significant revenue streams, other than taxation receipts and grant income, where management has more opportunity to manipulate the period in which the income is reported. Specifically, our risk is focused on the occurrence of other income (including fees and charges, rentals and other income), where management may have overstated income in the current financial year. This is likely to occur around the end of the financial year (i.e. bringing forward income from the subsequent year) and would also lead to an overstatement of Debtors (excluding collection fund debtors), therefore we also associate this risk to this balance too.
Understatement of other operating expenditure and associated accrual balances  Inappropriate allocation of revenue expenditure to unusable reserves	Fraud Risk	No change in risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We assess that this risk manifests itself in: <ul style="list-style-type: none"> <li>The understatement of expenditure (completeness of expenditure and associated accruals balances) and could also extend to non-recognition of required provisions in order to manage the Council's financial position. We consider this risk does not apply to payroll.</li> <li>The inappropriate capitalisation of revenue expenditure, or through inappropriate reallocation of expenditure to either the Capital Adjustment Account or Dedicated Schools Grant Reserve.</li> </ul>
Valuation for Pension assets / liabilities and disclosures	Significant risk	No change in risk	The Local Authority Accounting Code of Practice and IAS19 require the Council to disclose its membership in the Local Government Pension Scheme in its financial statements. Due to the significant estimation and judgement involved, an actuary is engaged to undertake the calculations required for the IAS19 disclosures. ISAs (UK) 500 and 540 mandate procedures on using management experts and assumptions for fair value estimates.

# 2024/25 audit strategy overview (cont'd)

## Audit risks and areas of focus (cont'd)

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings including Investment Property	Significant risk	No change in risk	<p>Land and buildings represent significant balances in the Council's financial statements and are subject to valuation on a periodic basis. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet. We will specifically focus on assets where a higher degree of estimation uncertainty exists:</p> <ul style="list-style-type: none"> <li>▪ Depreciated Replacement Cost (specialised operational assets for which an active market does not exist);</li> <li>▪ Fair Value (surplus assets valued at the price that would be received to sell an asset); and</li> <li>▪ Existing Use Value (operational assets for which there is an active market to provide comparable evidence).</li> </ul> <p>The Council engages external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements</p>
Implementation of IFRS 16: Leases	Significant risk	Change in area of focus	<p>The Local Authority Code Board, CIPFA LASAAC, has confirmed that local authorities need to implement IFRS 16 Leases from 1 April 2024. The standard introduces a single lease definition for all lessee arrangements, the impact of this is that the arrangements previously classified as operating leases will now be treated in the same way as finance leases were under the previous standard (with a few exceptions). Consequently, the balance sheet will now need to recognise 'right of use' assets and lease liabilities in respect of the transitioned arrangements. In addition, in respect of the PFI schemes the Council will need to remeasure the lease liability from 1 April 2024 and subsequently where there are changes to the capital elements of the underlying PFI payment profiles. Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts need to be updated annually based on prevailing indices.</p> <p>We will review the Council's approach to and application of IFRS16 to ensure that it has been correctly implemented, including detailed testing of the most significant transitioned arrangements and the disclosures made in relation to this change in the financial reporting framework.</p>
Minimum revenue provision	Higher Inherent risk	No change in risk	<p>Local authorities are required to charge a Minimum Revenue Provision (MRP) to the General Fund in each year. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is 'prudent'. With significant capital investment at the Council, there is a risk that the MRP has not been calculated in line with CIPFA guidance and does not consider or include all relevant balances</p>

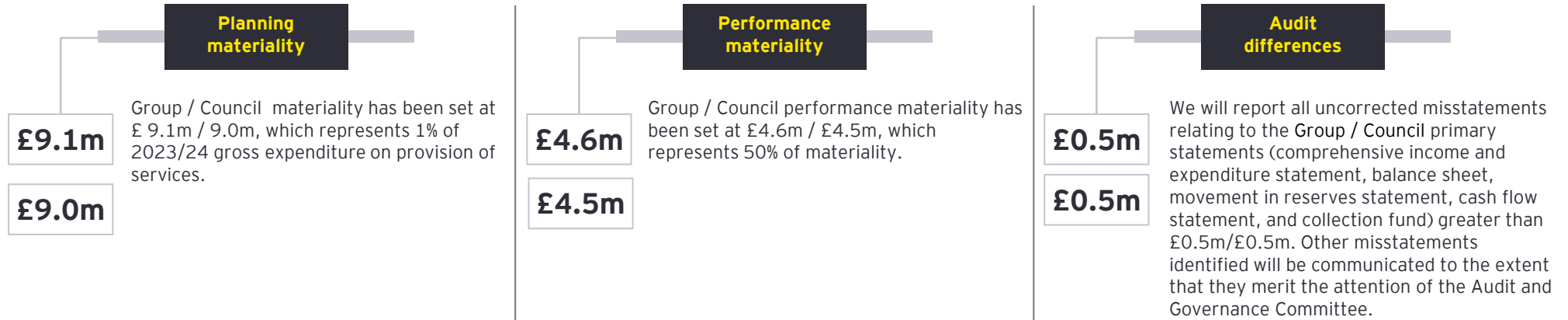
# 2024/25 audit strategy overview (cont'd)

## Audit risks and areas of focus (cont'd)

Risk/area of focus	Risk identified	Change from PY	Details
Preparation of Group Financial Statements	Higher Inherent risk	No change in risk	The Council has a controlling interest in several organisations, the most significant being Ansa Environmental Services and Alliance Environmental Services. The Local Authority Accounting Code of Practice requires the Council to prepare group financial statements to consolidate the Council's interests, unless these interests are considered not material. The Council conducts an annual review to consider its group boundary and whether its interest in private companies are material; and consequently, whether group financial statements are required.
Private Finance Initiative	Higher Inherent risk	No change in risk	The Council has a Private Finance Initiative (PFI) arrangement jointly with Cheshire West and Chester councils in respect of Extra Care Housing, the 2023/24 year-end liability in respect of this was £33m. Accounting for the PFI involves complex, material transactions and there is a risk that the PFI model is incorrect and therefore the associated accounting treatment and disclosures are not correctly reflected in the financial statements.
Going concern	Higher Inherent risk	No change in risk	The Council exceeded budget by £6m in 2022/23 and £8.5m in 2023/24 with general fund balances reducing from £81.1m at the 31 March 2023 to £43.2m at the 31 March 2024. The financial position of the Council remains challenging. The Council will need to undertake a going concern assessment covering a period up to 12 months from the expected date of final authorisation of the accounts. It will also need to make an appropriate disclosure in the financial statements of the going concern assessment which has been undertaken
Migration of cash receipting system	Area of focus	No change in area of focus	In 2024/25, the Council migrated its CRIM cash receipting system to a cloud storage solution. As part of this exercise, the Council has migrated historical transactions dating back to 2019. As with any significant financial system, there is a risk that data could be lost in the period of transition. There is also a risk around the completeness of the data subject to migration or that transactions may be duplicated.

# 2024/25 audit strategy overview (cont'd)

## Group and Council Materiality



We will update our materiality calculation on receipt of the 2024/25 draft financial statements and we will keep the Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.

## Audit scope

This audit planning report covers the work that we plan to perform to provide you with:

- our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2025 and of the income and expenditure for the year then ended; and
- our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on the value for money arrangements in Section 3.

We also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return. Our audit will include the required mandatory procedures in accordance with applicable laws and auditing standards. In planning our audit we consider several key inputs to ensure our audit is focussed on the areas that matter and so that our feedback is more likely to be relevant:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all the above.

Considering the above, our professional duties require us to independently assess audit risks and take appropriate actions. The Terms of Appointment with the PSAA permit fee adjustments based on 'the auditor's assessment of risk and the work needed to meet their professional responsibilities'. Therefore, we outline these risks in this audit planning report and will discuss any impact on the proposed scale fee with management.

# 2024/25 audit strategy overview (cont'd)

## Audit scope (continued)

### Effects of climate-related matters on financial statements

Public interest in climate change is growing. We recognize that climate-related risks may span a long timeframe, and while these risks exist, their impact on the current financial statements may not be immediately significant. However, it remains essential to understand these risks to conduct a proper evaluation. Additionally, comprehending climate-related risks may be pertinent in the context of qualitative disclosures in the notes to the financial statements and in assessing value-for-money arrangements. We inquire about climate-related risks during every audit as part of our understanding of the entity and its environment. As we continually re-evaluate our risk assessments throughout the audit, we consider the information obtained to help us assess the level of inherent risk.

### Audit scope and approach

We plan to adopt a substantive audit approach.

## Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The value for money planning and related risk assessment aims to collect enough evidence to document our evaluation of the Council's arrangements, allowing us to prepare a commentary based on three reporting criteria. This process includes identifying and reporting any significant weaknesses in those arrangements and making suitable recommendations. We will provide a commentary on the Council's arrangements against three reporting criteria:

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

Commentary on value for money arrangements will be included in the 2024/25 Auditor's Annual Report. This should be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

## Timeline

An audit timetable has been agreed with management. In Section 7 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.

## Key Audit Partner and senior audit team

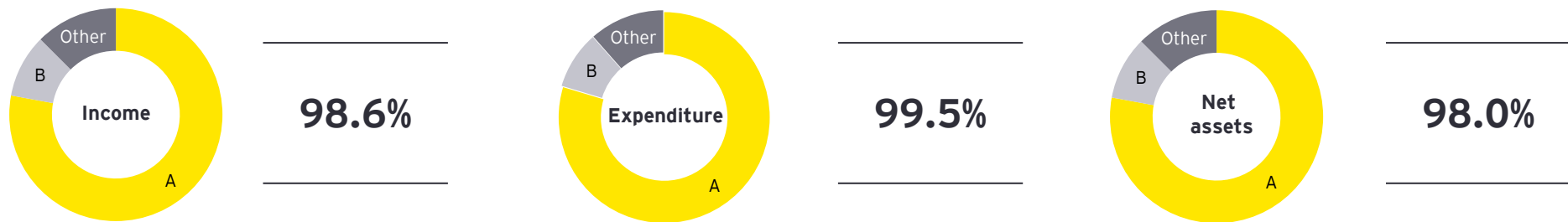
Hassan Rohimun is the partner responsible for the external audit of the Council. Hassan is an experienced public sector audit specialist during his career he has worked with all forms of local government bodies including unitary authorities. Dan Spiller (Senior manager) together with Lesley Moya (Manager) will be lead the audit team and be the primary contact for the Council's finance team, both Dan and Lesley are experienced public sector specialists working across a number of local government and NHS bodies.

# 2024/25 audit strategy overview

## Group Audit scope

The scoping of the group audit addresses the risks of material misstatement in the Council’s financial statements, including those noted under 'Audit risks' and 'Other areas of audit focus'. For the year-end audit, aligned with ISA (UK) 600 (Revised), effective for periods starting on or after 15 December 2023, we have tailored our audit scope to respond to these identified risks. This has influenced our choice of locations and the extent of procedures undertaken.

Through our on-site work we will cover the following percentages, by full scope (A) and specific scope (B) audits, of of Income, Expenditure and Net Assets. All components are based in the UK. Figures are based on the most recent sets of published statements (i.e. 31<sup>st</sup> March 2024) therefore there are no changes from the prior year where our planning report was prepared after those statements had been prepared.



- We have specifically considered the scope of our audit in response to the identified risks above, which has impacted the locations in which we performed our work, and the extent of procedures performed in these areas.
- For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.
- Section 5 of this report sets out more detail on our proposed approach and the subsidiaries covered by our testing.
- We intend to take a fully substantive audit approach.





## 02 Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.



## What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

## What will we do?

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertaking procedures to identify significant unusual transactions.
- Considering whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

# Our response to significant risks (cont'd)

**Overstatement of Fees, Charges and Other Service Income.  
Overstatement of Short-term Debtors\***

## Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue recognition could affect the income and expenditure accounts.

These accounts had the following balances in the 2023/24 draft financial statements:

- Fees, charges and other service income: £84.5m
- Short-term Debtors : £79.4m

## What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grant income, where management has more opportunity to manipulate the period in which the income is reported. Specifically, our risk is focused on the occurrence of other income (including fees and charges, dwelling rentals and other income), where management may have overstated income in the current financial year.

This is likely to occur around the end of the financial year (i.e. bringing forward income from the subsequent year) and would also lead to an overstatement of Debtors (excluding collection fund debtors), therefore we associate this risk to that balance too.

At the 31 March 2024 of the £79.4m (short term debtors balance) £49m were categorised as "other". On receipt of the 2024/25 financial statements, we will review the degree of estimation uncertainty associated with this balance to complete our assessment of the risk of overstatement of short-term debtors.

## What will we do?

In order to address this risk, we will carry out a range of procedures including:

- Reviewing the analysis of "other" debtors to assess the risk of fraud in revenue recognition.
- Understanding and challenging management on any accounting estimates or judgements on income recognition for evidence of bias;
- Performing overall analytical review procedures to identify any unusual movements or trends for further investigation;
- Performing testing on Debtor and Income transactions either side of the year-end to test the cut-off of those transactions;
- Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically those that manually move income from the subsequent year;
- Undertaking a monthly trend analysis using our data analytics tools in the performance of our Journal Entry Testing, to identify any unusual movements in balances for further analysis and testing. The analysis shall be disaggregated for the different income streams.

# Our response to significant risks (cont'd)

## Understatement of other operating expenditure and associated accruals balances\*

### Financial statement impact

Misstatements that occur in relation to the risk of fraud in expenditure recognition could affect the expenditure accounts and associated liability (accruals) balance.

- Non-pay operating expenditure (Other service expenses) : £590.7m
- Creditors: £159.9m

### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We assess that this risk manifests itself in the understatement of expenditure (completeness of expenditure and associated accruals balances) and could also extend to non-recognition of required provisions in order to manage the Council's financial posi

At the 31 March 2024 of the £159.9m (year end creditors balance) a £114m was categorised as "other". On receipt of the 2024/25 financial statements,, we will review the degree of estimation uncertainty associated with this balance to complete our assessment of the risk of overstatement of short-term debtors.

### What will we do?

We will carry out substantive procedures in response to this risk. The procedures designed to address the identified risk are set out below:

- Reviewing the analysis of "other" creditors to assess the risk of fraud in expenditure recognition.
- Reviewing and discussing with management any accounting estimates or judgements on income recognition for evidence of bias;
- Performing analysis with data analytics workpapers to identify any unusual movements or trends for further investigation;
- In our journal entry testing, perform an analysis on manual accrual balances as well as balances of provisions year on year to identify any unusual movements and trends;
- Performing unrecorded liabilities testing to identify payments occurring after the year end, which will address the completeness of the expenditure;
- Performing testing on completeness of provisions based on our understanding of the Council; and
- Performing cut-off testing with populations of Purchase Order invoices around year end to determine whether transactions have been correctly recorded within the correct period.

# Our response to significant risks (cont'd)

**Inappropriate allocation of revenue expenditure to unusable reserves\***

## Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.
- Expenditure being allocated to the ring-fenced Dedicated Schools Grant Reserve that is not appropriate.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE)/Investment Property (IP) additions and/or REFCUS in the financial statements or through overstating the deficit balance on the Dedicated Schools Grant Reserve

## What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk may occur through the inappropriate capitalisation of revenue expenditure or through inappropriate allocation of expenditure to the Dedicated Schools Grant Reserve.

## What will we do?

- Test Property, Plant and Equipment (PPE)/Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Consider whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Test REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- Perform a walkthrough of expenditure charged to the Schools' budget through the CIES codes and perform substantive testing of a sample of transactions that have been re-allocated from the General Fund to the Dedicated Schools Grant Reserve to review their appropriateness.
- We will test a sample of expenditure allocated to DSG and determine whether it is appropriate to be allocated to the DSG reserve.

# Our response to significant risks (cont'd)

## Valuation of land and property, including investment property

### Financial statement impact

Misstatements that occur in relation to the valuation of land and property could affect the balance sheet by materially misstating the valuation of these assets; and the income and expenditure account via the impact on depreciation charges.

Amounts reported in the 2023/24 draft financial statements (per Note 14) were:

- Land and buildings: £481.5m;
- Investment Property: £25m;
- Surplus assets: £38.9m.

### What is the risk?

Land and buildings represent significant balances in the Council's financial statements and are subject to valuation on a periodic basis. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet. We will specifically focus on assets where a higher degree of estimation uncertainty exists:

- Depreciated Replacement Cost (specialised operational assets for which an active market does not exist);
- Fair Value (surplus assets valued at the price that would be received to sell an asset); and
- Existing Use Value (operational assets for which there is an active market to provide comparable evidence).

The Council engages external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.

The Council's asset base is significant, and the outputs from the valuer are subject to estimation, therefore there is a risk that fixed assets may be under/overstated impacting on their valuation in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying estimates.

### What will we do?

We will:

- Test that assets have been classified and valued on an appropriate basis.
- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work, to ensure these are consistent with accounting standards and that the scope of the work is appropriate.
- Perform appropriate tests over the completeness and appropriateness of information provided to the valuer.
- Sample test and challenging the key asset information and assumptions used by the valuers in performing their valuation; for example, floor plans based on price per square metre.
- Consider the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- Consider any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Review assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated.
- Consider changes to useful economic lives as a result of the most recent valuation.
- Test accounting entries have been correctly processed in the financial statements.

We will be engaging EY valuation specialists to assist the audit team on a sample of assets. This sample will be based on our assessment of the assets that are subject to a higher degree of risk for their valuations as at 31 March 2025, for example, material assets which are valued at market based fair value.

# Our response to significant risks (cont'd)

## Valuation for Pension assets / liabilities and disclosures

### Financial statement impact

Misstatements that occur in relation to the Pension liability could affect the balance sheet by materially misstating the size of the liability; and also the related income and expenditure accounts.

The net pension liability amounting to £84,542k of the council is a material estimated balance, and the Code requires that this liability be disclosed on the Council's balance sheet.

This is made up of the following material balances:

- Teachers' Pensions Unfunded Scheme Liability: £16.2m
- Local Government Pension Scheme obligation: £1,383.8m
- Fair value of Local Government Pension Scheme plan assets: £1,315.5m.

### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. The Council is an admitted body of the Cheshire Pension Fund (CPF).

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

The Council's pension fund surplus is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet.

In the 2023/24 draft financial statements there were material transactions relating to IFRIC 14 asset ceiling adjustments. The calculation of these transactions are complex and based on information provided by the Council's actuary.

### What will we do?

We will liaise with the auditors of Cheshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.

- Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19
- We will consider engaging EY specialists to assess the Council's reported IFRIC 14 asset ceiling adjustments; and
- We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.



# Our response to significant risks (cont'd)

## IFRS 16 Implementation

### Financial statement impact

- Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.
- Lease liabilities and right of use assets will be subject to more frequent remeasurement.
- Other amendments have been made to the CIPFA Code to expand the definition of donated assets to include right-of-use assets and on accounting for leases provided at below market rate, including peppercorn and nil consideration.

### What is the risk?

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

Based on our prior year work the Council had made little progress in collecting the information necessary to implement IFRS 16 and determine the impact on its financial statements.

In addition, in respect of the PFI schemes the Council will need to remeasure the lease liability from 1 April 2024 and subsequently where there are changes to the capital elements of the underlying PFI payment profiles.

### What will we do?

- Gain an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Review the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Review management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gain assurance over the right of use asset included in the 2024/25 financial statements
- Sample test leases to ensure that transition arrangements have been correctly applied.
- Consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.



# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
<p><b>Minimum revenue provision</b></p> <p>If the Minimum Revenue Provision (MRP) were understated, it would have the impact of overstating the General Fund balance and understating the capital adjustment account. Local authorities are required to charge MRP to the General Fund in each financial year. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance. With significant capital investment at the Council, there is a risk that provision has not been calculated in line with CIPFA guidance and does not consider or include all relevant balances.</p>	<ul style="list-style-type: none"><li>▪ Understand the MRP Policy in place at the Council and review the policy against CIPFA's guidance to ensure compliance. We will also perform procedures to gain assurance that the Council is applying the policy correctly.</li></ul>
<p><b>Private Finance Initiative</b></p> <p>The Local Authority Accounting Code of Practice requires that PFI schemes should be accounted for on the basis of IFRIC 12 "Service Concessions". The Council's liability of £33m in relation to its PFI schemes is derived from complex models which reflect a number of assumptions which may change over the life of the contract. These are complex, material transactions and there is a risk that the PFI model is incorrect and therefore the associated accounting treatment and disclosures are not correctly reflected in the financial statements.</p>	<ul style="list-style-type: none"><li>▪ Confirm our understanding of the process of how the PFI models are maintained and updated; including how the output of the models are included within the Council's financial statement closing processes.</li><li>▪ Perform checks to ensure that any changes in the PFI arrangements and associated assumptions are reflected as updates to the financial models.</li><li>▪ Identify those inputs to the model which are estimates and undertake audit procedures to gain assurance over the reasonableness of these estimates.</li><li>▪ Engage EY's internal specialists to review the PFI model to ensure the inputs and accounting are in line with our expectations.</li><li>▪ Confirm that year end journal entries in relation to the PFI schemes have been processed accurately.</li><li>▪ Consider the impact of the implementation of IFRS 16 on the Council's PFI disclosures.</li></ul>
<p><b>Preparation of Group Financial Statements</b></p> <p>The Council has material group undertakings for its subsidiaries. Under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom the Authority is required to prepare group accounts as its interests are material in aggregate.</p>	<ul style="list-style-type: none"><li>▪ Consider the Council's assessment of its group boundary and consider the significance of the components to the group financial statements.</li><li>▪ Review and test the Council's process for consolidation, consistency of accounting policies and quality review, and consider the appropriateness of inter-company elimination.</li><li>▪ Review the completeness of the disclosures in the group financial statements to ensure they are materially accurate and complete.</li></ul>

# Other areas of audit focus (cont'd)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
<p><b>Going Concern disclosure</b></p> <p>The financial landscape for local authorities remains challenging; the Council will need to undertake a going concern assessment covering a period up to 12 months from the expected date of final authorisation of the accounts. It will also need to make an appropriate disclosure in the financial statements of that consideration and assessment. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.</p> <p>The Council faces a significant short-term challenge to set a balanced budget. The Council has been in regular liaison with MHCLG to ensure that there is access to Exception Financial Support (EFS) when required, fulfilling the conditions directed by the Minister to have in-place, a transformation plan.</p>	<p>We will consider the requirements of the auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"><li>▪ Challenging management's identification of events or conditions impacting going concern.</li><li>▪ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).</li><li>▪ Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.</li><li>▪ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.</li><li>▪ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.</li></ul> <p>Due to the proximity of the Council to exhausting its General Fund reserves, it is likely that we will need to consider the form of our opinion in respect of going concern.</p>
<p><b>Data migration to new cash receipting system</b></p> <p>In 2024/25, the Council migrated its CRIM cash receipting system to a cloud storage solution. As part of this exercise, the Council has migrated historical transactions dating back to 2019. As with any significant financial system, there is a risk that data could be lost in the period of transition. There is also a risk around the completeness of the data subject to migration or that transactions may be duplicated.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>▪ Gain an understanding of the process and walkthrough on the old and new system to better understand the data migration process.</li><li>▪ Obtain and review reconciliations of the data transferred from old to new systems to obtain assurances as to completeness.</li><li>▪ Sample test the data to gain assurance that it has been completely and accurately migrated.</li><li>▪ Undertake ISA 315 (Revised) risk assessment procedures for the new systems that have been implemented.</li><li>▪ Obtain and consider the latest Internal Audit Report review of the data migration process to identify if there were exceptions that we should consider in our approach.</li><li>▪ Evidence that the Council has undertaken procedures to ensure compliance with relevant laws and regulations, for instance complying with data security and retention requirements.</li></ul>



# 03 Value for Money risks

# Value for Money

## Council's responsibilities for value for money

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

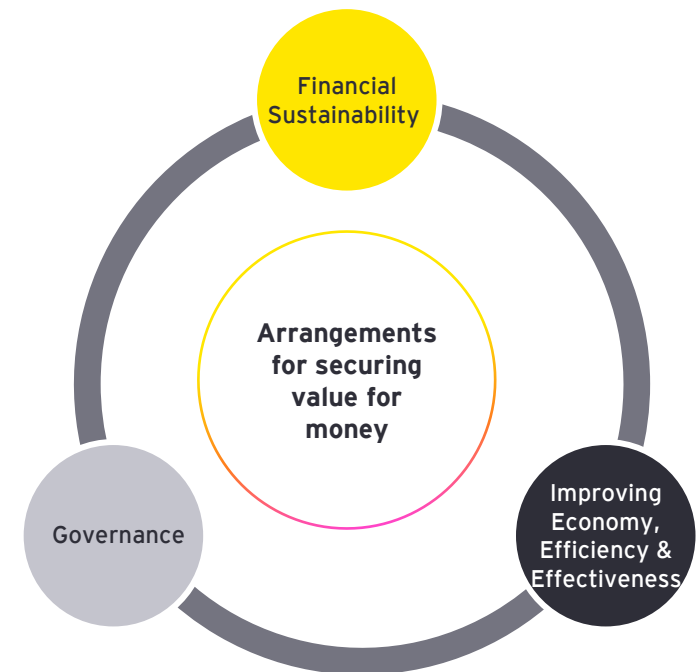
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor Responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified 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.



# Value for Money (cont'd)

## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- The governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem as necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the council to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the council's reputation; or unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on improvement plans.

## Responding to identified risks of significant weakness

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit and Governance Committee.

## Reporting on VFM

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements. Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's awareness. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2024/25 Auditor's Annual Report requires to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

## Status of our 2024/25 VFM planning

We have yet to complete our detailed value for money planning. However, due to issues that have been previously reported by the Council's predecessor auditor, and work performed in our audit for 2023/24, we have identified the risks set out on the following pages. We will update the next Audit and Governance Committee meeting on the outcome of our value for money planning and our planned response to any additional identified risks of significant weaknesses in arrangements.

# Value for Money (cont'd)

## Value for Money Risks

The table summarises the risk of significant weaknesses identified during our planning. We will review arrangements and risks regularly, updating our work if new risks arise and inform you of any additional significant weaknesses.

What is the risk of significant weakness?	What arrangements does this impact	Change from PY	Details and what we will do
<p><b>Peer Review</b></p> <p>In March 2024 Cheshire East Council invited the Local Government Association to undertake a corporate peer challenge. The report identified that the Council needs to address a number of significant issues, the most immediate being the organisation's financial sustainability which is in jeopardy. Following the peer review the Council has established an action plan, comprising 73 actions, across the areas of: Financial Sustainability; Transformation; Leadership and Culture; Strategic Purpose and Performance; Good Governance; and Service Improvement</p> <p>Whilst the Council is responding positively to the issues identified, the findings of the peer review represents a risk of significant weaknesses in arrangements for 2024/25.</p>	<p>Financial sustainability</p> <p>Governance</p> <p>Improving economy, efficiency and effectiveness</p>	<p>No change in risk or focus</p>	<p>We will build on the work performed in 2023/24 and:</p> <ul style="list-style-type: none"> <li>Review progress made against the Council's action plan to address the recommendations made by the peer review team.</li> <li>Update our review of arrangements in place to monitor the delivery of the action plan in accordance with agreed time scales.</li> </ul>
<p><b>Medium Term Financial Strategy</b></p> <p>The Council's Medium Term Financial Strategy is not sustainable without central Government support and the Council is at risk of issuing a S114 notice in the future.</p>	<p>Financial sustainability</p>	<p>No change in risk or focus</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the Council's: budget setting; forecasts; and budget reporting</li> <li>Review savings plans and the arrangements for monitoring the delivery of savings</li> <li>Review the proposed plans to secure future financial sustainability and actions that are being developed to mitigate any areas of non delivery</li> </ul>
<p><b>Head of Internal Audit Opinion</b></p> <p>For 2023/24 Internal Audit (IA) concluded that the overall opinion on the Council's framework of risk management, governance and internal control was "Limited", with the opinion for Risk Management, Governance and Internal Control being "Adequate". "Limited" and "Limited" respectively. The findings and conclusions of IA is evidence of a risk of significant weaknesses in arrangements for 2024/25.</p>	<p>Governance</p> <p>Improving economy, efficiency and effectiveness</p>	<p>New risk or focus</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review IA 2024/25 audit reports and the action plan which the Council plans to respond to the weaknesses identified in the 2023/24 AGS.</li> </ul>

# Value for Money (cont'd)

What is the risk of significant weakness?	What arrangements does this impact	Change from PY	Details and what we will do
<p><b><u>Children's Services</u></b></p> <p>On the 24 July 2024 the Secretary of State issued an improvement notice to the Council following the significant concerns highlighted by the publication of OFSTED's inspection report of the Council's Children's Social Care Services on 16 May 2024. The Secretary of State chose to retain the support of an Improvement Adviser in Cheshire East, to provide advice to the Department for Education and the Council. The Council were required to work with the Adviser and establish an improvement plan, that will deliver appropriate and sustainable improvement, to cover the areas identified in the OFSTED report as well as recommendations made by the appointed Improvement Adviser. The findings of OFSTED and the improvement notice issued by the Secretary of State is evidence of significant weaknesses in arrangements for:</p> <ul style="list-style-type: none"> <li>▪ How the Council ensures that it makes informed decisions and properly manages risks.</li> <li>▪ How the Council uses information about its costs and performance to improve the way it manages and delivers its services.</li> </ul>	<p>Governance</p> <p>Improving economy, efficiency and effectiveness</p>	<p>No change in risk or focus</p>	<p>Building on the work performed in 2023/24, we will:</p> <ul style="list-style-type: none"> <li>• Review the progress reports of the appointed independent advisor and the Department of Education; and</li> <li>• Review the arrangements which the Council has in place for monitoring the delivery of agreed improvement actions.</li> </ul>
<p><b><u>Insourcing</u></b></p> <p>The Council announced it is redesigning the way in which it delivers its waste, recycling, and bereavement services. This has involved a review of two of its wholly owned companies, Ansa Environmental Services and Orbitas Bereavement Services Ltd. Following the latest stage of that review, and a decision made by the Council's finance sub-committee on 25 June 2024, the services provided by Ansa and Orbitas are to be brought back-in house and delivered directly by Cheshire East Council. This includes bin collections, street cleansing, maintenance of green spaces, fleet, social transport, bereavement services and the handyperson service.</p>	<p>Governance</p> <p>Improving economy, efficiency and effectiveness</p>	<p>No change in risk or focus</p>	<p>We will review the governance and oversight processes that the Council has put in place to manage the process of bringing the services provided by Ansa and Orbitas back in house.</p>
<p><b><u>Annual Governance Statement</u></b></p> <p>The 2023/24 Annual Governance Statement (AGS) identified the significant governance issues for 2023/24 in respect of:</p> <ul style="list-style-type: none"> <li>➤ Children Services (OFSTED inspection)</li> <li>➤ Governance and Internal Control, reflecting the findings of IA and the Peer Review.</li> <li>➤ The need to improve governance arrangements for partnership working.</li> <li>➤ Financial sustainability</li> </ul>	<p>Governance</p> <p>Improving economy, efficiency and effectiveness</p>	<p>New risk or focus</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Review the arrangements for monitoring and delivering identified actions to respond to the weaknesses identified in the 2023/24 AGS.</li> </ul>



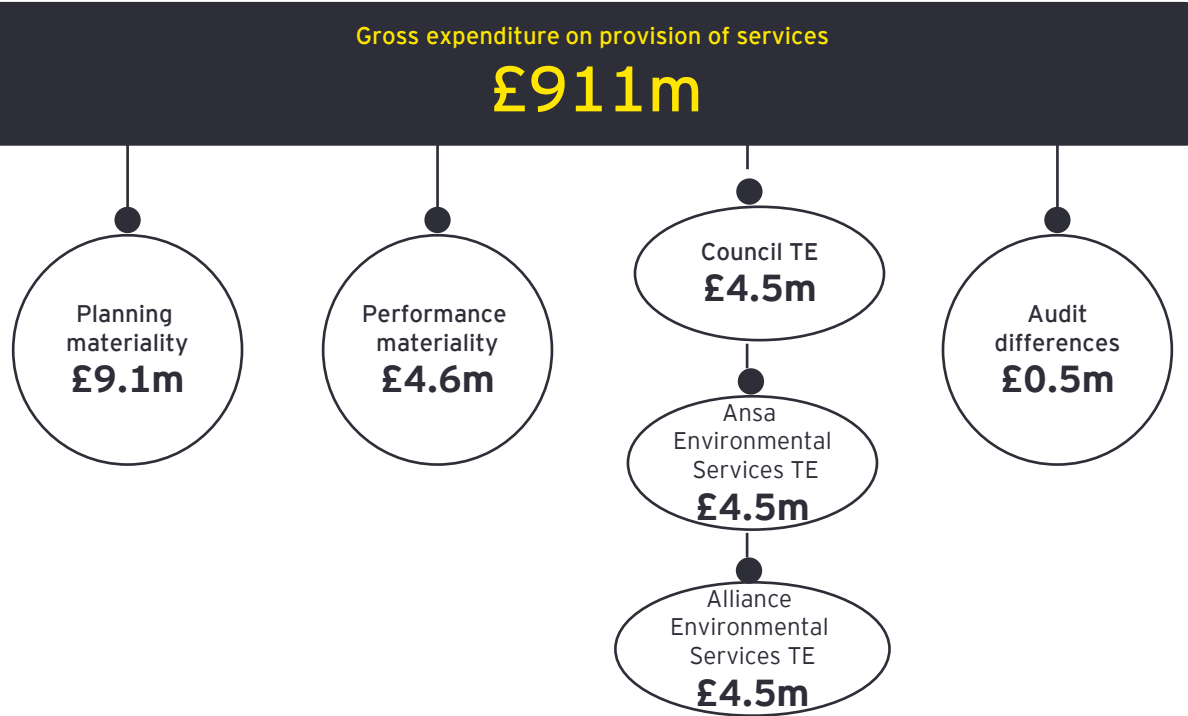
# 04 Audit materiality



# Materiality

## Group materiality

For planning purposes, Group materiality for 2024/25 has been set at £ 9.1m. This represents 1% of the Group's 2023/24 gross expenditure on provision of services. It will be reassessed throughout the audit process.



## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £4.6m/£4.5m which represents 50% of group materiality.

We have opted for a lower percentage of group materiality due to the inability to assess a reduced likelihood of misstatements. This is influenced by the fact that the previous year audit (2023/24) was our first year of audit and was incomplete.

**Component performance materiality** – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit and governance committee, or are important from a qualitative perspective.

We will keep the Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



# 05 Scope of our audit

# Audit process and strategy

## Objective and Scope of our Audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We issue an audit report that covers:

### 1. Financial statement audit

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the group and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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

## Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of other auditors where appropriate;
- Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment has not identified any key processes where we will seek to test key controls, either manual or IT. Our audit strategy will follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

### Analytics

We will use a data driven approach to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

### Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

# Scope of our audit

## Group scoping

Our audit strategy for performing a group audit is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

This scoping is subject to change once updated figures are available for the 2024/25 balances.

## Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope further scope details on the next page

1

**A Full scope audits**

2

**B Specific scope audits**

1

**C Review scope audits**

0

**D Specified procedures**

4

**E Other procedures**

## Scope definitions

**Full scope:** locations involving the design and performance of audit procedures on a significant proportion of the financial information of the component. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the scope of work, materiality used and any additional procedures required to comply with local laws and regulations. **(Council)**

**Specific scope:** locations involving the design and performance of audit procedures on one or more classes of transactions, account balances, or disclosures of the financial information of the group. The accounts included in the scope are not a significant proportion of the financial information of the component. **(Alliance Environmental Services and ANSA Environmental Services)**

**Review scope:** components where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally. **(Orbitas bereavement services)**

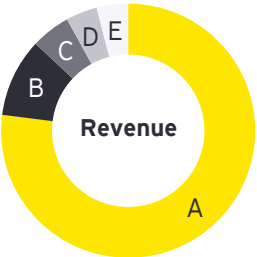
**Specified Procedures:** locations where the component team performs procedures specified by the Group audit team to obtain audit evidence for one or more elements of the group financial statements and/or to respond to identified risks of material misstatement.

**Remaining components:** Based on our planned audit scope, there may exist residual amounts of balances and accounts of the group financial statements which are not included in the group scope. These amounts have been evaluated as not presenting a risk of material misstatement to the group financial statements and may comprise balances at multiple location where the balances may be material in aggregate. Components/locations that are not assigned a scope of work nor subject to centralised procedures, and comprise amounts solely contributing the residual amounts are described as 'remaining components'. We update and perform further risk assessment procedures as necessary to conclude our assessment that there is no risk of material misstatement in those amounts. Individually, these components do not exceed more than 0.02% of the Group's Gross Revenue Expenditure. In aggregate, the total contribution of these components is less than 0.1% of Group Gross Revenue Expenditure.

# Scoping the group audit

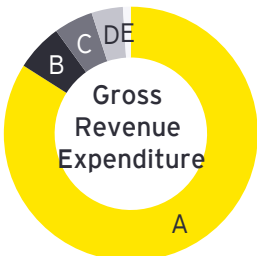
## Coverage of Revenue/Gross Revenue Expenditure/Total assets

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the Gross Revenue Expenditure, group's revenue and total assets.



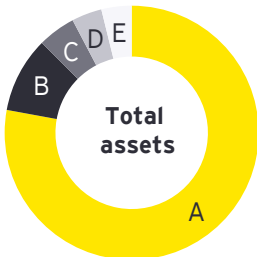
98.6%

of the group's forecast revenue will be covered by full and specific scope audits.



99.8%

of the group's forecast Gross Revenue Expenditure will be covered by full and specific scope audits.



98%

of the group's forecast total assets will be covered by full and specific scope audits.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

## Details of [specified procedures and] other procedures performed centrally

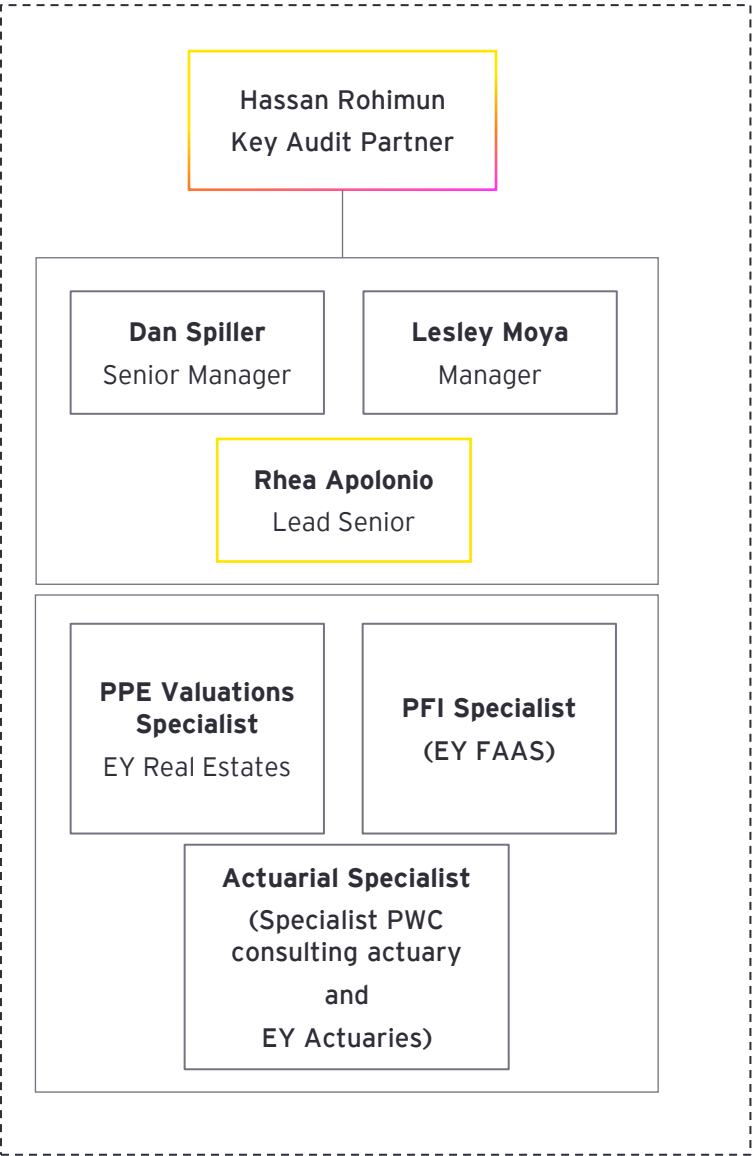
- Ansa Environmental Services is significant by risk as a result of balances above the group TE. (Expenditure of £43.6M, Income of £50.5M, and Liabilities of £11.4m). EY will perform specific procedures on these relevant accounts. The team will design procedures to obtain assurance over these accounts. No other factors were present to indicate that it should be concluded as significant based on risk.
- Alliance Environmental Services is significant by risk as a result of has balances above the group TE. (Expenditure of £6.7M and Income of £7.8M). EY will perform specific procedures on these relevant accounts. The team will design procedures to obtain assurance over these accounts. No other factors present to indicate that it should be concluded as significant based on risk.
- For all other non-significant components and associates we will perform "other procedures" which will include a review of financial statements and performance and analytical procedures.

Throughout the audit, we will determine whether the group audit strategy needs to be updated to reflect new information. The group audit strategy is an iterative process, and we will continuously consider information throughout the group audit and reassess the group audit strategy, which includes re-assessing group scoping, and updating it as necessary.



# 06 Audit team

# Audit team and use of specialists



- Our approach to the involvement of specialists, and the use of their work
- When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations team
Pensions disclosure	EY Actuaries
PFI	EY FAAS (EY Internal PFI Specialist)

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group’s business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist’s findings are properly reflected in the financial statements



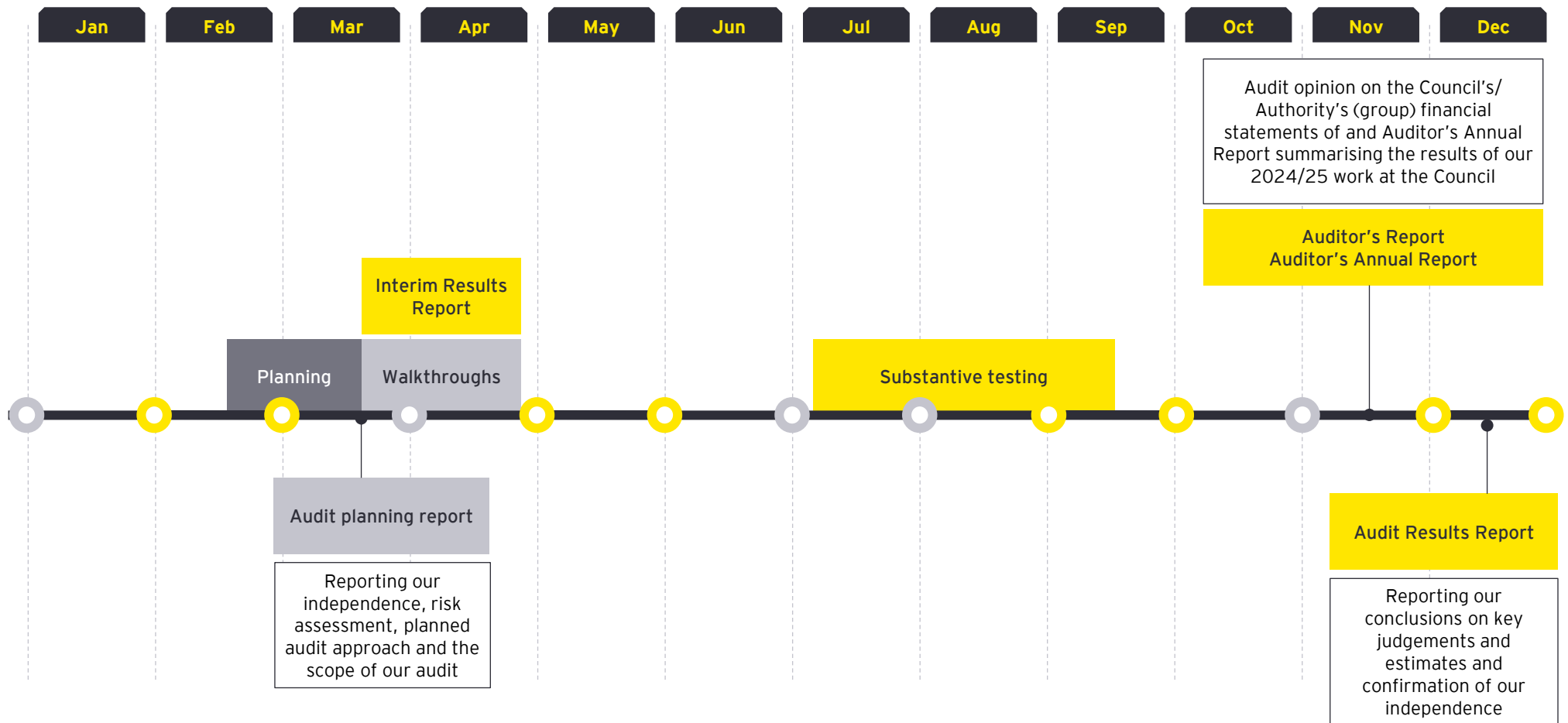
# 07 Audit timeline



# Timetable of communication and deliverables

## Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the 2024/25 audit cycle. From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate.





# 08 Independence

# Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"><li>▪ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</li><li>▪ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li><li>▪ The overall assessment of threats and safeguards;</li><li>▪ Information about the general policies and process within EY to maintain objectivity and independence</li><li>▪ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Audit and Governance Committee /those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a ‘pre-approval’ to provide the service).</li></ul>	<ul style="list-style-type: none"><li>▪ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li><li>▪ Details of non-audit/additional services provided and the fees charged in relation thereto;</li><li>▪ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li><li>▪ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li><li>▪ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and</li><li>▪ An opportunity to discuss auditor independence issues.</li></ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: **[EY UK 2024 Transparency Report](#)**.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Hassan Rohimun your audit engagement partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you.

We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no self interest threats at the date of this report.

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



# 09 Appendices

# Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities 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.

# Appendix B – Fees

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

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

The agreed fee presented is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ our financial statement opinion and value for money conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council;
- ▶ an effective control environment; and
- ▶ compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	2024/25	2023/24
	£	£
Scale Fee	397,671 Note 3	368,905 Note 1
Scale Fee Variations	Note 4	Note 2
Other	0	0
<b>Total fees</b>	<b>0</b>	<b>0</b>

**All fees exclude VAT**

1. As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audits.
2. The 2023/24 work is yet to be completed in undertaking the audit there are areas where additional work was required which are not included within the scale fee set by the PSAA these include:
  - Consideration of correspondence from the public and formal objections.
  - VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.Following the conclusion of our work we will inform the Council of the level of additional fees and then submit a fee variation to the PSAA for approval.
3. Scale fees for 2024/25 have been increased by PSAA to cover additional work under revised standards and contractual inflationary increase payable to audit firms. The new work relates to revised auditing standards ISA (UK) 315 (risk of material misstatement) and linked work on ISA (UK) 240 (fraud). Further information on the scale fee can be found on PSAA's website at [2024/25 auditor appointments and audit fee scale - PSAA](#)
4. The scale fee may be impacted by a range of factors which will result in additional work, which include but are not limited to:
  - Consideration of correspondence from the public and formal objections.
  - New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
  - Non-compliance with law and regulation with an impact on the financial statements.
  - VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
  - The need to exercise auditor statutory powers.
  - Prior period adjustments.
  - Modified financial statement opinions
  - Modified financial statement opinions

Any scale fee variations are subject to review and approval by the PSAA.

# Appendix C – Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee .

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▪ The planned scope and timing of the audit</li> <li>▪ Any limitations on the planned work to be undertaken</li> <li>▪ The planned use of internal audit</li> <li>▪ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report - May 2025
Significant findings from the audit	<ul style="list-style-type: none"> <li>▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▪ Significant difficulties, if any, encountered during the audit</li> <li>▪ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▪ Written representations that we are seeking</li> <li>▪ Expected modifications to the audit report</li> <li>▪ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▪ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit results report - Exp. Dec 2025</li> </ul>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▪ Whether the events or conditions constitute a material uncertainty</li> <li>▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▪ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report - Exp. Dec 2025
Misstatements	<ul style="list-style-type: none"> <li>▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▪ The effect of uncorrected misstatements related to prior periods</li> <li>▪ A request that any uncorrected misstatement be corrected</li> <li>▪ Material misstatements corrected by management</li> </ul>	Audit results report - Exp. Dec 2025



# Appendix D – Required communications with the Audit and Governance Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>Any other matters related to fraud, relevant to Audit and Governance Committee responsibility</li> </ul>	Audit results report - Exp. Dec 2025
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>Non-disclosure by management</li> <li>Inappropriate authorisation and approval of transactions</li> <li>Disagreement over disclosures</li> <li>Non-compliance with laws and regulations</li> <li>Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report - Exp. Dec 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:               <ul style="list-style-type: none"> <li>The principal threats</li> <li>Safeguards adopted and their effectiveness</li> <li>An overall assessment of threats and safeguards</li> <li>Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> </li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report - May 2025</p> <p>Audit results report - Exp. Dec 2025</p>
External confirmations	<ul style="list-style-type: none"> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report - Exp. Dec 2025

# Appendix D – Required communications with the Audit and Governance Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of</li> </ul>	Audit results report - Exp. Dec 2025
Internal controls	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report - Exp. Dec 2025
Group audits	<ul style="list-style-type: none"> <li>An overview of the work to be performed at the components and the nature of the group audit team's planned involvement in the work to be performed by component teams</li> <li>Instances when the group audit team's review of the work of a component team gave rise to a concern about the quality of that team's work, and how the group audit team addressed the concern</li> <li>Any limitations on the ability to obtain sufficient appropriate audit evidence in support of the group audit opinion, for example, where the group audit team's access to people or information may have been restricted</li> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> <li>Significant deficiencies identified in the group's system of internal control</li> </ul>	<p>Audit planning report - May 2025</p> <p>Audit results report - Exp. Dec 2025</p>
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - Exp. Dec 2025
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report - Exp. Dec 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - Exp. Dec 2025
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report - Exp. Dec 2025

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OPEN

## **BRIEFING REPORT**

**Audit and Governance Committee**

**29 May 2025**

**Internal Audit Update - Progress against  
Internal Audit Plan 2024-25**

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**Report of: Janet Witkowski, Acting Governance, Compliance and  
Monitoring Officer**

**Report Reference No: AG/18/25-26**

### **Purpose of Report**

- 1 The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between April 2024 and March 2025 as set out in the Internal Audit Plan 2024/25 which was approved by the Committee in March 2024. It also sets out how this, along with work being completed during April 2025 will contribute to the Annual Internal Audit Opinion for 2024/25.

### **Executive Summary**

- 2 The report details work undertaken by Internal Audit 2024/25 along with details of performance against the audit plan and other indicators. It also sets out work underway at the end of the period which will contribute to the Annual Internal Audit Opinion 2024/25, which the Committee will receive in July 2025.

### **Background**

- 3 The Public Sector Internal Audit Standards (PSIAS) Local Government Application Note states that, "in addition to the annual report, the Chief Audit Executive should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report and hence support a 'no surprises' approach, as well as assist management in drafting the Annual Governance Statement".

- 4 The interim report contains the following:
  - i) a summary of the audit work carried out in 2024/25.
  - ii) A comparison of the work undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets.
  - iii) a summary of work that is currently ongoing along with work planned to be undertaken by the end of the financial year.
- 5 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the Annual Governance Statement. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.
- 6 A report summarising the work undertaken, the issues identified, and the actions required is produced for each review undertaken. The process of reviewing the report from draft to final ensures that the findings are confirmed to be factually accurate, and that the management actions will result in improvements to the control environment. Draft reports are agreed with the appropriate managers, and the Final reports are shared with the relevant member of the Corporate Leadership Team, Section 151 Officer, Monitoring Officer, and the Chief Executive. The implementation of agreed actions is monitored through the follow up process, and performance in this area is reported regularly to the Risk and Assurance Board, the Corporate Leadership Team, and the Committee.
- 7 It should be noted that Internal Audit's risk-based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels. Therefore, it is important that the Internal Audit opinion is also informed by additional sources of assurance.
- 8 As such, it will be necessary to take account of external reports on the operation of the Council, and whilst the final internal opinion cannot be confirmed at this point, this sets a far more challenging context in which to provide an adequate opinion on the Council's arrangements for governance, risk management and internal control and despite recognising the depth and variety of work that has been undertaken across the Council to address identified weaknesses, some form of limitation on the opinion seems likely to be required

## **Briefing Information**

- 9 The Audit and Governance Committee is asked to note and consider the contents of the Internal Audit Update Report 2024/25 at Appendix 1.

## **Implications**

### *Monitoring Officer/Legal*

- 10 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 11 The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.
- 12 The approval and oversight of the internal audit plan is within the remit of the committee, and it is therefore appropriate that it receives updates.

### *Section 151 Officer/Finance*

- 13 In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 14 The Internal Audit Plan 2024/25 was prepared, based on known resources, to cover the core areas of work required to deliver an annual audit opinion. Resource availability is subject to regular review as part of monitoring progress against the plan.
- 15 If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed, and reported to the Committee.

### *Human Resources*

- 16 There are no direct implications for human resources.

*Risk Management*

- 17 Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, with the implementation of recommended actions designed to deliver improvements in governance and the control environment.

*Impact on other Committees*

- 18 There are no direct impacts on other committees.

*Policy*

- 19 There are no direct implications for policy. The delivery of the internal audit plan provides assurance on the Council's effectiveness in delivering aspects of the Corporate Plan and overall governance

<p><b>Commitment 3: An effective and enabling council</b></p>
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*Other Implications*

- 20 There are no other implications arising from this report.

*Consultation*

Name of Consultee	Post held	Date sent	Date returned
<i>Statutory Officer (or deputy) :</i>			
Sal Khan	Deputy S151 Officer	19/05/25	19/05/25
Janet Witkowski	Acting Monitoring Officer	19/05/25	20/05/25
<i>Legal and Finance</i>			
As above.			



Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit, Risk and Assurance <a href="mailto:Josie.griffiths@cheshireeast.gov.uk">Josie.griffiths@cheshireeast.gov.uk</a>
Appendices:	Appendix 1 – Internal Audit Update Report 2024/25
Background Papers:	N/A

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# Internal Audit Update Report April 2024 – March 2025

(2024/25 Internal Audit Plan)

## 1. Introduction

- 1.1. In accordance with the Public Sector Internal Audit Standards, the Internal Audit Update Report April 2024 – March 2025 contains “emerging issues in respect of the whole range of areas to be covered in the annual report”.
- 1.2. Internal Audit is required to form an annual opinion on the overall adequacy and effectiveness of the organisation’s control environment, which includes consideration of any significant risk or governance issues, and control failures which have been identified.
- 1.3. The Head of Audit Risk and Assurance’s opinion as the Chief Audit Executive on the Council’s framework for governance, risk management and internal control for 2023/24 was given as “limited”. This was the first time since Cheshire East was established in 2009 that there has been a limitation on this opinion.
- 1.4. This reflected several factors, including the outcome of the 2023/24 internal audit programme, where a significant number of the overall findings related to a failure to apply existing controls, or the absence of expected or actual controls. A significant “No Assurance” report was also provided during the year in relation to the arrangements for the management of Section 106 funds.
- 1.5. At this point in the delivery of the plan, and conscious that the areas included in the plan are different again, we have seen improvement in findings in relation to failure to apply controls. We note an increase in findings relation to either the lack of, or currency of documentation of controls, and some areas where controls have degraded and could be enhanced.
- 1.6. At 31 March 2025 several audits commenced during quarter 4 were nearing completion and the findings from this work will be considered in forming the annual opinion. However, it is encouraging to see significant improvement in the timely implementation of internal audit actions, which is covered in greater detail in section 9.

## 2. Summary of Audit Work to Date

- 2.1. During this period, audit work was undertaken on the whole of the control environment comprising risk management, key control, and governance processes. This work comprised a mix of risk-based auditing, regularity, investigations, and the provision of advice to officers. The following sections

explain the variety of audit work undertaken to support the annual audit opinion.

### 3. Assurance Work

- 3.1. A summary of the final reports issued to the end of March 25, by the audit assurance opinion given is included in **Table 1**.
- 3.2. The figures detailed in the table below recognise final reports issued by 31 March 2025. **Table 4** details audits that were being finalised at the end of the financial year with reports issued for inclusion in the Annual Internal Audit Opinion report which will be presented to Audit & Governance Committee in July 2025. The number of final reports will be consistent with the total number issued in 2023/24.

**Table 1: Final reports issued to date by assurance level**

Assurance Level	2024/25 (to 31/03/2025)	2023/24 Full Year	2022/23 Full Year
Good	5	4	5
Satisfactory	3	6	4
Limited	2	13	8
No Assurance	0	1	2
<b>Total</b>	<b>10</b>	<b>24</b>	<b>19</b>

- 3.3. A summary comparison of coverage of the 2024/25 Audit Plan with actuals for the year is shown in **Table 2**, with comments on variances where appropriate.

Table 1: Summary Comparison of Audit Plan 2024/25 and Actuals

Area of Plan		Original Plan		Actuals		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1125		1185		Additional days due to auditor increasing working hours
Less: Corporate Work		115		95		
Available Audit Days:		1010	100%	1090	100%	
Corporate Governance and Risk		105	10%	130	12%	
Anti-Fraud and Corruption	Proactive Work	30	3%	23	2%	
	Reactive Investigations	30	3%	44	4%	
Corporate Services		330	33%	414	38%	
Adults, Health & Integration		110	11%	114	11%	
Children's Services		110	11%	147	14%	
Place		100	10%	80	7%	
Providing Assurance to External Organisations		35	3%	38	3%	
Advice & Guidance		40	4%	21	2%	
Other Chargeable Work		120	12%	79	7%	
	<b>Total Audit Days</b>	<b>1010</b>	<b>100%</b>	<b>1090</b>	<b>100%</b>	

- 3.4. Details of the reports produced to the end of March 2025 are included in **Table 3**, which includes details of the audit assurance opinion given in each report. Where the opinion given was Limited or No Assurance, a summary of key findings and actions has been provided.
- 3.5. The audits detailed in **Table 4** were ongoing at 31 March 2025 with work continuing to finalise the reports which will be included in the Annual Internal Audit Opinion report in July 2025. An anticipated assurance level is provided.

Table 3: Summary of Final Assurance Reports 2024/25 to 31 March 2025

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
Council Tax Billing Rec 2025/26	Identified via Audit Plan  To ensure that the Council Tax bills for 2025/26 had been raised for the correct liability.	Good	Controls operating effectively	
NDR Billing Rec 2025/26	Identified via Audit Plan  To ensure that the Business Rates bills for 2025/26 had been raised for the correct liability.	Good	Controls operating effectively	
Wilmslow BID Billing Rec 2025/26	Identified via Audit Plan The review focused on the controls in place to ensure that bills for the additional Wilmslow BID levy have been calculated and raised correctly	Good	Controls operating effectively	
Crewe BID Billing Rec 2024/25	Identified via Audit Plan The review focused on the controls in place to ensure that bills for the additional Crewe BID levy have been calculated and raised correctly	Good	Controls operating effectively	
Crewe BID Billing Rec 2025/26	Identified via Audit Plan The review focused on the controls in place to ensure that	Good	Controls operating effectively	

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
	bills for the additional Crewe BID levy have been calculated and raised correctly			
Discretionary Housing Payments	Identified via Audit Plan. The review focused on the adequacy of the systems, processes and controls in place for the application of DHP awards, compliance with regulations and the Council's DHP Policy	Satisfactory	Controls operating effectively	
Multiply Grant	At the request of management. Internal Audit carried out a review of the systems, processes and controls in place in relation to the Multiply Grant to ensure compliance with the DfE Multiply Grant Assurance Guidance	Satisfactory	Controls operating effectively	
Community Grants Review	Identified via Audit Plan. This review focused on the adequacy of the systems, processes and controls in place for awarding community grants to local organisations during 2023/24 and 2024/25	Satisfactory	Controls operating effectively	



Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
Schools Consolidated Report 2023/24	Identified via Audit Plan. The report brought together the findings from the programme of school audits which reviewed the arrangements in place to manage Purchasing (P2P) and HR via the Unit 4 ERP system.	Limited	All actions agreed with management and individual schools subject to review were issued with detailed reports	The report identified common issues in relation to: <ul style="list-style-type: none"> <li>• Errors in completing Unit4 HR forms.</li> <li>• Errors in the use of the procurement module on Unit 4 leading to duplicate payments, and</li> <li>• Inconsistent application of the purchase card policy.</li> </ul>
Supplementary Substance Misuse Treatment and Recovery Grant	At the request of Management. Grant conditions required an internal audit review to confirm that all other conditions were complied with	Limited	All actions agreed with management	The review concluded that improvements need to be made over the monitoring arrangements on expenditure incurred by the contractor in delivering this project.

Table 4: Ongoing Internal Audit Assignments at 31 March 2025

Audit	Scope of Review	Status	Anticipated Assurance
Leavers – equipment/system access	To provide assurance on the effectiveness of the processes in place to ensure that equipment is returned, and system accesses are removed in a timely manner.	Report drafted	Limited

Officer Decision Records	To provide assurance on the effectiveness of the processes in place to manage the recording of ODR's	Draft report issued to Monitoring Officer	Limited
Accounts Payable	To review the processes and controls in place for this area of Unit4	Report drafted	Limited
Gemini Phase 2 (joint work with CWAC)	To provide assurance that the Programme has robust governance arrangements and is appropriately resourced and has a delivery plan that recognises the challenging timeframe it has been set	Fieldwork underway	Not yet determined
Fostering	To review the processes and controls in place for ensuring the accuracy and appropriateness of payments to foster carers	Fieldwork complete, report being drafted	Limited
SEN Tribunal Process	To review the effectiveness of processes and controls in place to manage SEN tribunals	Fieldwork underway	Limited
General Ledger	To review the effectiveness of the controls in place for the management of the general ledger	Report drafted	Limited
Council Tax/NDR Refunds	To review the effectiveness of the controls in place for the calculation and payment of refunds in these areas	Report drafted	Good
LGO Findings	To review the effectiveness of the processes in place to ensure appropriate learning form LGO findings	Fieldwork underway	Not yet determined

Capital Budget Monitoring	To provide assurance on the effectiveness of the processes in place for monitoring capital budgets	Fieldwork underway	Not yet determined
Multiply Year 3	To facilitate sign off to confirm compliance with grant conditions by 30/04/2025	Fieldwork underway	Good
Unaccompanied Asylum-Seeking Children Grant	To provide assurance that the funding was managed and administered correctly and in line with the conditions set by the awarding body	Report drafted	Good
Elections Review	To provide assurance that mechanisms are in place for accurate and complete recording of time and expenses to support the claim made to the Ministry of Housing, Communities and Local Government (MHCLG), by the Elections Team on behalf of Cheshire East Council.	Report drafted	Satisfactory

- 3.6. The assurance levels reported include a combination of opinions at a broad level for the Council as a whole (macro-level opinion) and opinions on individual business processes or activities within a single organisation, department or location (micro-level opinion).
- 3.7. Where control weaknesses are identified, recommended actions are agreed with management to ensure that the control environment is improved to an acceptable level. Through the follow up process, Internal Audit continues to obtain assurance that all actions have been implemented.
- 3.8. It should be noted that Internal Audit's risk-based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 3.9. Where a final report is issued with a "Limited" or "No Assurance" opinion, improvement recommendations will be made. When implemented these will address the identified weaknesses and improve the control environment.
- 3.10. All actions from these audits have been agreed with management and progress on implementation will be monitored through the follow up process. Draft reports are agreed with the appropriate managers, and final reports are shared with the relevant CLT member, the Section 151 Officer, the Monitoring Officer, and the Chief Executive.
- 3.11. The issues arising from the reports and the implementation of associated recommendations will be considered as part of the Annual Governance Statement process.
- 3.12. The Audit Plan is subject to regular review to reflect the current resources available to the team. Having considered the current resources available within Internal Audit, it is concluded that the team has completed sufficient direct assurance work supported by assurances gained through other areas of internal audit work to deliver the Annual Internal Audit Opinion for 2024/25.

#### 4. Schools

- 4.1. The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:

- the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
  - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 4.2. The School's Audit Programme for 2024/25 was agreed by both the Interim Executive Director of Resources, Section 151 Officer and the Director for Education, Strong Start and Integration and, involves a review of SFVS returns submitted by schools against the actual controls in place.
- 4.3. This year's programme is the first year of a rolling programme of school audits that ensures all schools are subject to audit at least every 5 years.
- 4.4. The work was scheduled to be completed during quarter 4 of 2024/25 and quarter 1 of 2025/26. This is timed to provide assurance to the Section 151 Officer and facilitate the signing of the DfE Annual Assurance Statement.
- 4.5. Individual reports will be produced and issued to schools detailing any areas of weakness identified and any actions required to address these weaknesses and improve the control environment. School reports include an assurance opinion on the arrangements, in line with other audit reports.
- 4.6. Consolidated findings and recommended actions and improvements will be shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".
- 4.7. Findings from all areas inform a consolidated schools report which provides assurance to the Interim Executive Director of Resources, Section 151 Officer and the Director for Education, Strong Start and Integration.

## 5. Supporting Corporate Governance

- 5.1. In accordance with Regulation 6 of the Accounts and Audit Regulations 2015 the Council is required, each financial year, to conduct a review of the effectiveness of the system of internal control and publish an Annual Governance Statement (AGS).
- 5.2. During the year, and as previously reported in the 2023/24 Internal Audit Annual Report, Internal Audit has coordinated, on behalf of Management, the production of the Council's AGS for 2023/24.
- 5.3. The draft AGS 2023/24 was presented to Audit & Governance Committee in July 2024 with updates provided to the December 2024 and February

2025 meetings of the committee. The final version will be presented to the committee for approval following the conclusion of the external auditors work on the 2023/24 financial statements.

- 5.4. The draft AGS 2024/25 will be presented to Audit & Governance Committee in July 2025 with progress updates provided throughout the year. The final AGS 2024/25 will be presented to the Committee for approval following the conclusion of the external auditors work on the 2024/25 financial statements.

## **6. Consultancy and Advice**

- 6.1. During the year, Internal Audit has continued to support management with the provision of advice - at the specific request of management. The nature and scope of these engagements are generally aimed at improving governance, risk management and control and contribute to the overall audit opinion as well as building good relationships across the Council.
- 6.2. During 2024/25, advice and guidance was provided on:
- Design and application of controls in new/proposed systems.
  - Interpretation of Finance and Contract Procedure Rules.
  - Membership of various programme boards such as Household Support Fund (HSF), UK Shared Prosperity Fund (UKSPF), and Transactional Shared Service (TSS)
- 6.3. By providing this service, internal audit can ensure that processes are supported by appropriate controls to mitigate identified risks associated with the particular activity at the outset of change or development, providing far more valuable input to the service and wider control environment overall.

## **7. Grant Certifications**

- 7.1. Internal Audit is often required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.
- 7.2. During 2024/25, this included work on the following grants, which were successfully signed off and submitted to the appropriate funding body:

Table 5: Grants Certified during 2024/25

Grant Certified	Funding Body	Amount
Contain Outbreak Management	UKHSA	£12,729,001.63
Multiply	DfE	£414,482.57
Growth Hub Grant (LEP/ECW)	DBT	£261,000.00
Skills Bootcamp Grant (LEP/ECW)	DfE	£2,794,310.00
Local Transport Capital Block Funding (Pot Hole Fund)	DfT	£9,776,600.00
Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)	DfT	£9,252,000.00
Bus Subsidy Revenue Grant	DfT	£347,865.00
Disabled Facilities Grant	MHCLG	£2,546,625.00
Family Focus	DWP	£417,600.00
<b>Total</b>		<b>£38,539,484.20</b>

- 7.3. It should be noted that the level of work required to complete the sign off of grants is not always proportionate to the value of the grant; grant funding conditions are set by the funding body, and it is this which determines the amount of testing and validation required to inform the sign off.
- 7.4. Over recent years, the level of testing required to provide assurance that grants have been used in accordance with the grant conditions has increased. This is taking up an increasingly large amount of Internal Audit resource and to manage this demand, Internal Audit has coordinated a grant register that details the nature of each grant and any reporting and sign off details. Lead officers have been identified for each of the grants and work undertaken to ensure that all returns have been completed within deadlines. Work is continuing in this area to ensure that the Council is aware of all requirements and deadlines associated with the many grants that it receives and administers.

## 8. Work for Other Bodies

- 8.1. Since 2013, Cheshire East Council has been the host authority for the PATROL (Parking and Traffic Regulations Outside London) Adjudication Joint Committee and Bus Lane Adjudication Joint Committee, and as part of this, we provide an Internal Audit service.

- 8.2. The outcome of the internal audit work is reported to the PATROL Committees directly and does not inform the annual internal audit opinion for Cheshire East Council.
- 8.3. The work was completed, and a report issued during June 2024.
- 8.4. The latest internal audit of PATROL is expected to be completed during quarter 1 of 2025/26.

## **9. Implementation of Audit Recommendations**

- 9.1. Internal Audit continually carries out a range of follow up exercises to ensure recommendations are implemented. This work is done in a number of different ways:
- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee.
  - Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g. a follow up audit may be done at the request of management.
  - Formal assurance audits: recommendations are monitored in line with our follow up process.
- 9.2. Audits with 'limited' or 'no' assurance are subject to more detailed review. In addition, key systems (e.g., Payroll, Accounts Payable) are audited on a regular, cyclical basis with recommendations followed up as part of the work.
- 9.3. Following concerns over the implementation of actions, the Committee has previously been informed of a change in approach to follow ups.
- 9.4. Auditors contact action owners on a monthly basis to seek an update on progress in implementing all actions, including those that have yet to reach their agreed implementation date. This is then reported to Executive Directors and the Chief Executive to increase visibility of actions across senior management. This approach has been endorsed by CLT along with an agreement that any extension to agreed implementation dates will be approved by the appropriate Executive Director.
- 9.5. Details of implemented actions are provided below alongside the figures from the end of 2023/24:



**Table 6: Implementation of Agreed Audit Actions - 2021/22 to 31/03/2025**

Action Status	No of Actions (31/03/2025)	No of Actions (31/03/2024)
Total actions agreed	298	151
Completed actions	262	50
Superseded actions	12	11
In progress (not yet due)	20	48
In progress (passed agreed date)	4	42

9.6. Analysis of the figures in Table 6 above shows that 94% of all actions due have now been implemented compared to 49% at the end of the previous financial year. This demonstrates a significant improvement in this area which is expected to continue due to the robust follow up process that is now in place.

9.7. Members of CLT are provided with monthly updates on the position of internal audit actions relevant to their areas, with the Audit Manager attending directorate management teams to discuss any issues with implementation. Information in relation to the implementation of actions will continue to be provided in future Internal Audit update reports as our approach to follow up work develops further.

## 10. Work carried forward to 2025/26

10.1. The audits detailed in **Table 7** below, have been carried forward from 2024/25 into 2025/26:

**Table 7: Work carried forward to 2025/26**

Audit	Scope of Review
Implementation of Adults Social Care Charging Policy	To provide assurance that the policy has been implemented effectively and achieved the anticipated outcomes.
Adults Direct Payments	To provide assurance around the effectiveness of the systems and processes in place to ensure direct payments are well managed and controlled.
DSG High Needs Management Plan	To review progress made against the recovery plan and its achievability moving forward.

Procurement	To provide assurance in relation to compliance with the Procurement Act 2023
Accounts Receivable	To review the processes and controls in place to ensure the monies owed to the council are billed and received promptly and accurately

## 11. Internal Audit Performance

11.1. Internal Audit's performance is measured against performance indicators which are detailed in Table 8.

**Table 8: Performance Indicators to date**

Performance Indicator	2024/25 Actual to date	2024/25 Target	2023/24 Actual	Comments on 2024/25 Actuals
% of Audits completed to user's satisfaction	100%	95%	96%	Above target
% of significant recommendations agreed	100%	95%	100%	Above target
Chargeable Time (Assurance Work)	86%	85%	89%	Above target
Draft report produced promptly (per Client Satisfaction Form)	100%	95%	93%	Above target

## 12. Public Sector Internal Audit Standards (PSIAS)

12.1. The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

- 12.2. The North West Chief Audit Executives' Group (NWCAE) has established a 'peer-review' process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by 'self-assessment with independent external validation'.
- 12.3. Internal Audit has completed a self-assessment of compliance against the Standards and the independent external validation process has taken place, and the report is awaited from the peer review team.
- 12.4. The external review is being undertaken by the Chief Audit Executives from Warrington and Salford Councils and Isle of Anglesey Council, and the outcome will be reported to the Audit and Governance Committee following receipt of their report.
- 12.5. The new Global Internal Audit Standards (GIAS) came into effect in January 2025 with the UK Public Sector working to an April 2025 implementation date.
- 12.6. To support this transition from PSIAS to GIAS, in December 2024 CIPFA published an application note: Global Internal Audit Standards in the UK Public Sector. Taken together, the Global Internal Audit Standards and the Application Note will form the basis of UK public sector internal audit effective from 1 April 2025.
- 12.7. CIPFA published the "Code of Practice on the Governance of Internal Audit in UK local government" in early February. The Code is applicable to audit committees and senior management in local government bodies.
- 12.8. Members of the Committee will be provided with a briefing on the implications of the change in standards and the new Code during 2025/26.

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OPEN

## **Audit and Governance Committee**

**29 May 2025**

### **Recruitment of Co-Opted Independent Members**

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**Report of: Janet Witkowski, Acting Governance, Compliance and Monitoring Officer**

**Report Reference No: AG/09/25-26**

**Ward(s) Affected: All**

**For Decision**

#### **Purpose of Report**

- 1 In line with the Committee's Terms of Reference and following best practice guidance, the Audit and Governance Committee has two co-opted members as part of its membership. Co-opted members have been appointed to the committee for four-year periods, one of which expires in April 2026. The Committee are asked to consider two options; to begin a recruitment process for the appointment which expires, or to extend the period of this appointment to be co terminus with the second appointment, which ends in October 2027.

#### **Executive Summary**

- 2 The Audit and Governance Committee carries out an important oversight and assurance role that requires its members to be apolitical and objective. To bolster and support this role, the Committee's membership includes two independent non-elected individuals co-opted to the Committee.
- 3 This report seeks the direction of the Committee with regard to the approach it wishes to take as the term of office approaches its conclusion in April 2026.

## RECOMMENDATIONS

The Audit and Governance Committee:

1. Resolves to undertake a further recruitment process including the advertisement, interviewing and recommending to Council of the next appointment of a co-opted member, with a view to their commencement in office in May 2026; or
2. Recommends to Council that the current post holder's term of office be extended to October 2027.

## Background

- 4 The inclusion of co-opted independent members as part of local authority audit committees has long been recommended, recognising the valuable knowledge and experience which can be provided through inclusion of these roles, benefitting the Committee's overall effectiveness.
- 5 CIPFA's Position Statement re Audit Committees in Local Authorities and Police 2022 sets out CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. The Position Statement states:  
  
*"The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise."*
- 6 There is currently no legislative requirement directing local authorities to have co-opted independent members of the audit committee, however, the Position Statement was supported by the then Department for Levelling Up, Housing and Communities and the Home Office.
- 7 The Council's Constitution provides for the members of the Audit and Governance Committee to comprise 9 Councillors and 2 co-opted independent members. Co-opted members to Council committees are not members of the Council itself, therefore other than in limited circumstances (for example, an advisory committee established under s102(4) Local Government Act 1972) they have no voting rights. Co-

opted members would instead be consulted during committee meetings and their views taken into account by voting members of the committee.

- 8 Mr Ron Jones was appointed at the full Council meeting on 27 April 2022 following a recruitment process led by the Committee. Mrs Jennifer Clarkson was appointed at the full Council meeting on 18 October 2023, also following a recruitment process led by the Committee. Both co-opted independent members were appointed for a four-year period.
- 9 As Mr Jones appointment on the committee concludes in April 2026, the members of the committee are asked to consider either beginning the recruitment process again, to ensure no loss of time until the next term of office begins or to recommend to Council the extension of Mr Jones' appointment until October 2027, so that recruitment to both co-opted independent member positions would be undertaken at the same time.
- 10 Should members wish to proceed with recruitment for the co-opted position to begin in April 2026, a further paper outlining the proposed recruitment approach will be brought to July committee.

### **Consultation and Engagement**

- 11 Mr Ron Jones has confirmed that he is willing to extend his appointment period, should the Committee be in agreement.

### **Reasons for Recommendations**

- 12 These recommendations support the completion of the Committee's membership which includes co-opted independent members and ensure the Committee's remit in relation to standards and councillor conduct arrangements are effective.

### **Other Options Considered**

- 13 The Committee could consider not continuing with the co-opted independent members as part of the Committee membership, but for reasons set out elsewhere in this report, their inclusion in the committee membership supports best practice and adds value. This would also require an amendment to the Constitution.

### **Implications and Comments**

#### *Monitoring Officer/Legal/Governance*

- 14 The Council's Constitution provides for membership of the Audit and Governance Committee to comprise of 9 councillor and 2 co-opted independent members.

- 15 The recommendations are within the remit of the committee albeit Full Council must approve all non-elected appointments to Committee.

*Section 151 Officer/Finance*

- 16 There is no proposal to change the current remuneration arrangements for either the co-opted members. Extending the period of appointment for one of the co-opted members will therefore only incur anticipated costs.
- 17 Undertaking one recruitment exercise for the co-opted members as we approach October 2027, rather than two exercises will offer a small resource saving of officer time and support.

*Human Resources*

- 18 There are no direct human resources implications arising from this report.

*Risk Management*

- 19 An effective Audit and Governance Committee is a critical part of the Council's governance arrangements providing apolitical and objective oversight and assurance. Co-opted members complement the committee membership with specific skills, experience and knowledge.

*Impact on other Committees*

- 20 There are no direct impacts on other service or scrutiny committees. Full Council will need to agree the recommendations of the Audit and Governance Committee.

*Policy*

- 21 There are no direct policy implications arising from this report. An effective Audit and Governance Committee, and effective arrangements for the investigation and determination of councillor misconduct support the strategic objective of "An effective and enabling Council".

<b>Commitment 3: An effective and enabling council</b>
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*Equality, Diversity and Inclusion*

- 22 There are no direct equality, diversity and inclusion implications arising from this report.

*Other Implications*

- 23 There are no other direct implications arising from this report.

*Consultation*

<b>Name of Consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
<i>Statutory Officer (or deputy) :</i>			
Adele Taylor	S151 Officer	13/05/25	23/05/25
Janet Witkowski	Acting Monitoring Officer	13/05/25	20/05/25

<b>Access to Information</b>	
Contact Officer:	Janet Witkowski, Acting Governance Compliance and Monitoring Officer
Appendices:	n/a
Background Papers:	<p>Appointments Report – <a href="#">10 March 2022 Audit and Governance Committee</a></p> <p>Appointments Report – <a href="#">27 April 2022 Council</a></p> <p>Recruitment of Co-opted Independent Member – <a href="#">28 September 2023 Audit and Governance Committee</a></p>

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# Audit and Governance Committee Work Programme 2025-26

Report Reference	Audit & Governance Committee	Title	Purpose of Report	Lead Officer	Consultation	Equality Impact Assessment	Part of Budget and Policy Framework	Exempt Item	Committee Terms of Reference
<b>May 2025</b>									
AG/09/25-26	29/05/25	Recruitment of Co-opted Independent Members	This report will seek direction from the Committee with regard to the recruitment of a co-opted independent member as the four-year period of one of the co-opted members, ceases in April 2026.	Governance, Compliance and Monitoring Officer	No	No	No	No	Membership: 9 Councillors (excluding the Leader and Deputy and chairs of the service Committees) and 2 co-opted independent members.
AG/17/25-26	29/05/25	2024/25 Audit Planning Report (Audit Plan) to May	To provide an update on the scope and timing of the 24/25 External Audit.	Executive Director of Resources and S151 Officer	No	No	No	No	Ensuring assurance over both the quality of the draft financial statements and the Council's wider arrangements to support a timely and effective audit.
AG/18/25-26	29/05/25	Internal Audit Plan 2024/25 - Progress Update	The purpose of this report is for the Committee to receive an update on work undertaken to date on the Internal Audit Plan 2024/25. Receiving updates from the Head of Audit Risk and Assurance on the delivery of the plan is a key part of the Committee's Terms of Reference.	Head of Audit, Risk and Assurance	N/A	No	No	No	To consider internal Audit's performance during the year, including updates on the delivery of the audit plan.
<b>July 2025</b>									
AG/04/25-26	28/07/25	Annual Complaints and Compliments Report 2024-25	To receive an update on complaints, compliments and customer contact for 2024-25.	Executive Director of Resources and S151 Officer	No	No	No	No	The Committee receives reports and assurances from across the organisation. In doing so the Committee will consider the

## Audit and Governance Committee Work Programme 2025-26

									effectiveness of the arrangements described, identifying further information needed and/or making recommendations for improvements and additional action required.
AG/07/25-26	28/07/25	Final Outturn and Draft Statement of Accounts 2024/25 (Audit & Governance Committee)	The purpose of this report is to present the pre-audited overview of the Council's Outturn and the draft Statement of Accounts for 2024/25. Members are being asked to note the financial performance of the Council. The report also provides confirmation that the accounts will be published on the Council's website. The report provides committee members with an early summary of the accounts, which will help them in advance of any formal responsibility to approve the accounts	Executive Director of Resources and S151 Officer	No	No	Yes	No	To consider reports on the effectiveness of financial management arrangements, including compliance with the CIPFA Financial Management Code.
AG/04/25-26	28/07/25	Risk Management Report 2024-25	This report provides the committee with an update on risk management activity during 2024-25.	Head of Audit, Risk and Assurance	No	No	No	Yes in part	To consider the effectiveness of the system of risk management arrangements.
AG/08/25-26	28/07/25	Audit and Governance Committee Self-Assessment	Outcome of the Committee's self assessment against the CIPFA standards for Audit Committees - this may lead to other reports for information or decision, for example, examining the Terms of Reference of the Committee.	Head of Audit, Risk and Assurance	No	No	No	No	To ensure compliance with best practice.
AG/10/25-26	28/07/25	Draft Annual Governance Statement 2024-25	This report will provide the committee with the draft Annual Governance Statement for 2024-25.	Head of Audit, Risk and Assurance	No	No	No	No	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk

## Audit and Governance Committee Work Programme 2025-26

									environment and supporting assurances.
AG/11/25-26	28/07/25	Internal Audit Opinion 2024-25	This report provides the Annual Internal Audit Opinion for 2024-25.	Head of Audit, Risk and Assurance	No	No	No	No	To consider reports, both internal and external, on the effectiveness of internal controls and monitor the implementation of agreed actions.
AG/16/25-26	28/07/25	Companies Draft Financial Statements 2024/25	The purpose of this report is to present the draft financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2024/25	Executive Director of Resources and S151 Officer	No	No	Yes	No	Ensuring assurance over both the quality of the draft financial statements and the Council's wider arrangements to support a timely and effective audit.
AG/36/24-25	28/07/25	Member Training and Development Plan	To present the refreshed Member Training Strategy and Programme to the Audit and Governance Committee.	Governance, Compliance and Monitoring Officer	No	No	TBC	No	To ensure that the Committee remains focussed on its assurance role, all members of the Committee, and any designated substitute, must be appropriately trained.
<b>September 2025</b>									
AG/01/25-26	29/09/25	Annual Review on Information Governance	This report provides assurance to the Audit and Governance Committee on the Council's arrangements for information governance and information security over the course of the previous financial year.	Executive Director of Resource and S151 Officer	No	No	No	No	The Committee receives reports and assurances from across the organisation. In doing so, the Committee will consider the effectiveness of the arrangements described, identifying further information needed and/or making recommendations for

## Audit and Governance Committee Work Programme 2025-26

									improvements and additional action required.
AG/02/2025-26	29/09/25	Monitoring Officer Annual Report 2024-25	This report seeks to provide information and assurance to the Audit and Governance Committee on key aspects of the Monitoring Officer's responsibilities over the previous financial year.	Governance, Compliance and Monitoring Officer	No	No	No	No	The Committee receives reports and assurances from across the organisation. In doing so, the Committee will consider the effectiveness of the arrangements described, identifying further information needed and/or making recommendations for improvements and additional action required.
AG/15/25-26	29/09/25	ECW (Enterprise Cheshire & Warrington) Accounts 2024/25	The purpose of this report is to present the audited financial statements of Enterprise Cheshire and Warrington for the year 2024/25	Executive Director of Resources and S151 Officer	No	No	Yes	No	Ensuring assurance over both the quality of the draft financial statements and the Council's wider arrangements to support a timely and effective audit.
<b>December 2025</b>									
AG/05/25-26	04/12/25	Final Statement of Accounts 2024/25 (Audit & Governance Committee)	The purpose of this report is to present to the committee the final version of the Statement of Accounts for 2024/25, the statements will incorporate the agreed changes reported in the Audit Findings report 2023/24. there will be a recommendation to committee to approve the	Executive Director of Resources and S151 Officer	No	No	Yes	No	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the

## Audit and Governance Committee Work Programme 2025-26

			Statement of Accounts for 2023/24						audit that need to be brought to the attention of the Council.
AG/06/25-26	04/12/25	Audit of Accounts 2024/25	The purpose of the report is to present to Council, the Audit findings report for 2024/25 accompanied by a response recommended by the Audit & Governance Committee to any significant issues raised in the Audit Findings Report	Executive Director of Resources and S151 Officer	No	No	Yes	No	Ensuring assurance over both the quality of the draft financial statements and the Council's wider arrangements to support a timely and effective audit.
AG/14/25-26	04/12/25	Companies Audited Financial Statements 2024/25	The purpose of this report is to present the audited financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2024/25	Executive Director of Resources and S151 Officer	No	No	Yes	No	Ensuring assurance over both the quality of the draft financial statements and the Council's wider arrangements to support a timely and effective audit.
<b>March 2026</b>									
AG/12/25-26	05/03/26	Internal Audit Plan 2025-26 Progress Update	This report provides the Committee with an update on the progress of the Audit Plan delivery, findings and outcomes.	Head of Audit, Risk and Assurance	No	No	No	No	To consider on internal Audit's performance during the year, including updates on the delivery of the audit plan.
AG/13/25-26	05/03/26	Internal Audit Plan 2026-27 Approval	This report provides the proposed Internal Audit Plan 2026/27 to the Committee for review and approval.	Head of Audit, Risk and Assurance	No	No	No	No	To approve the risk-based internal audit plan.

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