

OPEN

Audit and Governance Committee

29 May 2025

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

**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

Name of Consultee	Post held	Date sent	Date returned
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) Adele.taylor@cheshireeast.gov.uk 01270 686185

Appendices:	Appendix A – CEC Audit Planning Report 2024/25
Background Papers:	None.