



# Three Rivers District Council

## Audit Completion Report for Those Charged with Governance

Year ended 31 March 2024

February 2025



Audit Committee  
Three Rivers District Council  
Northway, Rickmansworth,  
Herts  
WD3 1RL

February 2025

Dear Audit Committee Members

### **Three Rivers District Council– Completion report for Those Charged with Governance for the year ended 31 March 2024**

This Audit Completion Report summarises the approach and outcomes arising from our audit for the benefit of Those Charged with Governance, as required by International Standard on Auditing (UK) 260, the National Audit Office Code of Practice 2024 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during the conduct of our audit procedures and have been discussed with management.

We were appointed as auditors to perform the audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), which are directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of Those Charged with Governance.

**Statutory Instrument (2024) No.907** - "*The Accounts and Audit (Amendment) Regulations 2024*" (the SI) imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements. We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This decision is in line with **ISA 200: Failure to Achieve an Objective 24**.

The **Accounts and Audit Regulations 2015**, as amended by the **Accounts and Audit (Amendment) Regulations 2024**, impose a statutory backstop date of 28 February 2025 for the publication by the Council of their final Statement of Accounts for 2023/24. The **Code of Audit Practice (2024)** (the Code) issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (the Code) specifies that auditors are required to issue their auditor's report by this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with these statutory reporting timescales.

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If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the audit and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).

Auditors have to consider whether the time constraints imposed by the backstop date mean that they cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support their opinion and fulfil all the objectives of the ISAs (UK). For 2023/24, the time constraints are further restricted by the fact that the statutory backstop date of 13 December 2024 for outstanding periods to 31 March 2023 – all preceding audit periods – resulted in the issue of disclaimed audit opinions by the Council's predecessor auditor for the financial years ended 2020/21, 2021/22, and 2022/23. In addition, on 5 March 2024 the 2019/20 accounts were qualified as the auditor was unable to obtain sufficient assurance over the fair value of surplus assets relating to South Oxhey going back to the 2017/18 audit year. Accordingly, we have no assurance on the Council's opening balances as at 1 April 2024 or any previous balances going back several years.

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

In completing our work for this audit year we have taken into account [Statutory Instrument \(2024\) No. 907](#) - "The Accounts and Audit (Amendment) Regulations 2024" and [Local Audit Reset and Recovery Implementation Guidance](#). We have also taken into account the requirements of the [Local Audit and Accountability Act 2014](#), the National Audit Office's [Code of Audit Practice \(2024\)](#), the [Statement of Responsibilities](#) (from 2023/24 audits) issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The responsibilities of the Council and Those Charged with Governance remain unchanged. The Council's Responsible Finance Officer has a responsibility under The Accounts and Audit Regulations 2015 to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. Those Charged with Governance have an essential role in ensuring that it has assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. The Public Sector Audit Appointment Limited's [Statement of Responsibilities](#) (paragraphs 26-28) clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix III).

Alongside our audit of the financial statements, under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify, including reporting these in our auditor's report. We consider and report on the adequacy of the Council's financial reporting arrangements and the effectiveness of the Audit Committee, as the Council's body charged with governance, in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements. We also consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

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Where, as part of our work, we identify control weaknesses we will also report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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

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

Yours sincerely

**Paul Grady**

**Key Audit Partner**

For and on behalf of Azets Audit Services



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

## Your key team members

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# Executive summary

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

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

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

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

## Context for the audit

Timely, high-quality financial reporting and audit of local bodies is vital. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and that all stakeholders in the sector need to work together to address this. The factors which have led to this situation are widespread and varied. These include the following:

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

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

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

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

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Audit Reset and Recovery Implementation Guidance give effect to the ministerial statement and have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)).

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# Executive summary

Statutory backstop dates were published in The Accounts and Audit (Amendment) Regulations 2024, which were approved by Parliament and came into force on 30 September 2024. These regulations were subsequently incorporated into The Accounts and Audit Regulations 2015 (as amended).

Alongside this updated legislation the NAO updated the Code of Audit Practice (the Code) to reflect the statutory backstop requirements. The 2024 Code was approved by Parliament on 14 November 2024. At the same time the NAO issued the Local Audit Reset and Recovery Implementation Guidance (the LARRIGs) to facilitate auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), which were endorsed by the FRC.

The Council's 2020/21, 2021/22 and 2022/23 audits were disclaimed on 13 December 2024. In addition, on 5 March 2024 the 2019/20 accounts were qualified as the auditor was unable to obtain sufficient assurance over the fair value of surplus assets relating to South Oxhey going back to the 2017/18 audit year. Accordingly, we have no assurance on the Council's opening balances as at 1 April 2024 or any previous balances going back several years.

There is insufficient time for us to recover this missing assurance ahead of the 2023/24 backstop date. Therefore, as a result of the system wide implementation of backstop dates, we intend to issue a disclaimer of the audit opinion on the Council's 2023/24 accounts.

## Financial statements – the 2023/24 audit

The statutory date for Councils to issue unaudited financial statements for 2023/24, as set out in the Accounts and Audit Regulations 2015 (as amended), was 31 May 2024. The Council published their unaudited financial statements on 3 December 2024. The statutory public inspection period ran from 3 December 2024 to 17 January 2024. Whilst we have undertaken as much work as possible ahead of this date in support of the 2023/24 audit, we were not able to commence specific work on the financial statements before this date.

The lack of assurance over opening balances resulting from the disclaimers of opinion issued in the prior years, together with the imminent statutory backstop date for 2023/24 (28 February 2025), has impacted on the audit procedures that we had planned to undertake to gain assurance on the Council's 2023/24 financial statements. These planned procedures were first reported in our audit plan and updated in our progress reports shared with the Audit Committee in May 2024 and November 2024. There is insufficient time and resource available to obtain sufficient appropriate audit evidence to conclude that the 2023/24 financial statements as a whole are free from material misstatement, including recovering missing assurance from earlier years, before the statutory backstop date of 28 February 2025. We therefore plan to issue a disclaimer of the audit opinion on the Council's 2023/24 accounts. We have included the draft wording of our Audit Report alongside this document for your information.

We have prioritised available resources in carrying out audit procedures which will provide us with audit information which we can accrete to future audit periods in line with the guidance set out in the LARRIGs.

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# Executive summary

We have undertaken the following planning tasks:

- Required independence procedures;
- Determination of materiality at the planning stage and reconsideration upon receipt of the financial statements;
- Made inquiries of management, Those Charged with Governance and internal audit;
- Procedures in relation to understanding the entity and its environment, and in assessing the control environment in place;
- Planning procedures in relation to applicable laws and regulations;
- Planning assessment and consideration of the Council's related party transactions;
- Review of key Council minutes;
- Review of internal audit reports and findings produced;
- Assessment of competence and capability of experts used by the Council in the preparation of the financial statements;
- Undertaking planning analytical procedures and follow up with management;
- Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meetings and through our review and documentation of business processes and walkthrough procedures, where possible, including our review of IT General Controls and additional procedures required under ISA (UK) 315;
- Detailed walkthroughs of the following material systems related to identified significant risks: property plant and equipment valuation, net pension liability valuation, investment property valuation, journals;
- Risk-based scoping of audit procedures at the financial statements level and at the assertion level;
- Identified significant risks of material misstatement;
- Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report, e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money and any matters that may result in the use of the auditor's powers;
- Production, agreement of the audit plan and interim progress report (November 2023 and May 2024).

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

- Receipt and review of the management representation letter
- Receipt and review of the final amended, approved Statement of Accounts.
- Responses from management regarding subsequent events up to the date of the opinion and completion of subsequent events audit procedures.
- Final engagement lead 'stand-back' review of the file.

We will continue to consider existing and new information which could influence our final audit report (opinion), a current draft of which is provided as an additional document alongside this report.

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# Executive summary

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

Where, from our procedures performed, we have identified errors or misstatements in the financial statements, disclosure errors, or inconsistencies with the prior year, we report these in this report. Any such matters reported are not exhaustive due to the lack of time available to complete our work. We are unable to confirm if there are any other misstatements in the financial statements for 2023/24 beyond those reported in this report.

During our work we identified some deficiencies in your internal controls which are set out in Appendix 1.

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

## Value for money

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

We have not at this stage identified any significant weaknesses. Should this change before our issuing of our audit report we will report this to you. Our detailed findings will be reported in our Auditor's Annual Report.

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

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

## Statutory duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it, or to bring it to the attention of the public.

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

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

# Quality indicators

**KEY:**  
**RED:** Significant improvement required  
**AMBER:** Developing  
**GREEN:** Mature

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

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	AMBER	<i>The draft financial statements were received on 3 December 2024. From the work undertaken in the time available ahead of the statutory backstop, we did not identify significant issues related to the quality of the accounts.</i>
Quality of working papers provided and adherence to timetable	GREEN	<i>The working papers provided were of high quality and were delivered in a timely manner. There was a prompt turnaround by management on the inquiries made by the audit team.</i>
Timing and quality of key accounting judgements	GREEN	<i>From the work we have been able to undertake ahead of the statutory backstop, we did not encounter any challenges in the timing and quality of key accounting judgments</i>
Access to finance team and other key personnel	GREEN	<i>The finance team, including the management expert, was available as agreed and responsive to our audit queries. They have been very helpful in their engagement with the audit.</i>
Quality and timeliness of Narrative Report and Annual Governance Statement	AMBER	<i>The draft financial statements were received on 3 December 2024. From the work undertaken in the time available ahead of the statutory backstop, we did not identify significant issues related to the quality of the narrative report and annual governance statement.</i>
Volume and magnitude of identified errors	AMBER	<p><i>From the work we have been able to undertake, we identified amendments required in the financial statements which are detailed later in this report. Management has agreed to amend the accounts in respect of these matters.</i></p> <p><i>We have determined that the imposition of the backstop has created time constraints which impede our ability to complete all necessary procedures to obtain sufficient appropriate audit evidence and to fulfil the objectives of all the relevant ISAs (UK) in relation to balances.</i></p> <p><i>As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 28 February 2025 for the 2023/24 audit, we intend to disclaim the audit in our audit report.</i></p>

# Audit scope and general approach

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

***The primary responsibility for the prevention and detection of fraud rests with management and Those Charged with Governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.***

## Scope and general approach

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

As part of our risk-based audit approach we:

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

We reported the significant and other risks we had identified in our audit plan. We provided updates in our progress reports shared with the Audit Committee in May 2024.

## Work undertaken in 2023/24

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

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

We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).

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

# Materiality

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

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

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

As set out in our audit plan, we determined planning materiality for the Council as £930k, based on 2% of gross expenditure in the draft financial statements for 2022/23. On production of the 2023/24 financial statements, we reconsidered our materiality determination. Our materiality has been updated as set out below. We did not set a group materiality given the determination reached that we would be disclaiming the audit.

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

Materiality area	Planning (Group) £000	Planning (Council) £000	Final (Group) £000	Final (Council) £000	Explanation
Overall materiality for the financial statements	Not set	930	Not set	920	This is the equivalent of 1.9% of gross revenue expenditure based on the 2023/24 draft financial statements. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for councils as the users of the Council's financial statements are considered to be most interested in where the Council and Group has expended their income during the year.
Performance materiality	Not set	558	Not set	552	Performance materiality has been set at 60% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	Not set	46.5	Not set	46	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to Those Charged with Governance.

# Significant risks of material misstatement

This section of our report includes a summary of the significant risk areas we identified during our audit planning that required special consideration. It provides an overview of our risk identification for the year to 31 March 2024. We set out our planned responses to each of these risks in our audit plan.

We have not amended the risks which we reported in our audit plan as formally presented to you on November 2023.

Significant risk	Fraud risk?	Planned approach to controls	Level of judgement / estimation uncertainty	Work completed
Prior year opinion on the financial statements	No	N/A	Low	The work we completed is set out on the next page.
Management override of controls	Yes	Assess design & implementation	Low	Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have been unable to complete all our planned procedures on the significant and other risks we identified.  As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 28 February 2025 for the 2023/24 audit, we intend to disclaim the audit in our audit report.
Fraud in revenue recognition and expenditure	Rebutted	Assess design & implementation	Low	
Valuation of land and buildings and investments property	No	Assess design & implementation	High	
Valuation of pension assets and liabilities (IAS19)	No	Assess design & implementation	High	
Other risk: The council entered a complex and financially significant income strip scheme.	No	Assess design & implementation	High	

# Significant risks of material misstatement

Identified risk	Audit procedures completed	Outcome
<p><b>Prior year opinion on the financial statements</b></p> <p>In our audit plan we highlighted that we had not yet obtained a copy of the audit opinion from your predecessor auditor for the 2022/23, 2021/22, 2020/21, and 2019/20 financial years. We therefore reported that:</p> <ul style="list-style-type: none"> <li>• There was a risk that issues not yet identified in these audit years could impact the current audit year;</li> <li>• There was a further risk that the audit backstop of 13 December 2024 may prevent the prior year audits from being completed, resulting in prior year audit opinions being qualified by a 'limitation of scope' or disclaimed in full.</li> </ul> <p>As a result, we reported the significant risk that:</p> <ul style="list-style-type: none"> <li>• there may be limited assurance available over the Council's opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pensions valuations and property, plant and equipment valuations, amongst others).</li> <li>• significant transactions, accounting treatment and management judgements may not have been subject to audit for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed periods.</li> </ul>	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> <li>• considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit;</li> <li>• considered the impact on our 2023/24 audit of the prior year disclaimed audit opinions you have received from your predecessor auditor, with particular regard to opening balances and 'unaudited' transactions and management judgements made in previous disclaimed years which continue into 2023/24; and</li> <li>• considered the impact of any changes in The CIPFA Code requirements for financial reporting in previous and current audit years.</li> </ul>	<p>The Council's 2020/21, 2021/22 and 2022/23 audits were disclaimed on 13 December 2024. In addition, on 5 March 2024 the 2019/20 accounts were qualified as the auditor was unable to obtain sufficient assurance over the fair value of surplus assets relating to South Oxhey going back to the 2017/18 audit year. Accordingly, we have no assurance on the Council's opening balances as at 1 April 2024 or any previous balances going back several years, and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2023/24.</p> <p>Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we are required to issue our opinion on the financial statements.</p> <p>We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).</p> <p>Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.</p>

# Other risks and areas of focus

In our audit plan we identified a number of other risks and areas of focus for our audit. Due to the limited time available before the statutory backstop date we have not completed detailed audit testing on these areas and have concluded we will need to issue a disclaimer of opinion. We report any matters that came to light from the work we did complete in the table below.

Areas of focus	Planned audit procedures	Work completed
<p>The Council has entered a complex and financially significant income strip scheme. This requires the recognition of an asset, a significant finance lease liability and management judgement on accounting for various transactions related to this scheme.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Reviewing management’s accounting treatment for this transaction, including revenue flows in year and the value of long and short-term assets and liabilities associated with the scheme</li> <li>• Assessing management’s accounting treatment against the requirements of the CIPFA Code and International Financial Reporting Standards.</li> </ul>	<p>Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have not completed all our planned procedures and will issue a disclaimer of opinion</p>

We request that you review these, and other matters set out in this report (including the significant risks of material misstatement, the audit differences noted within the section “2023/24 work and building back assurance” and audit adjustments tables, if relevant, the significant matters section and the financial statements: other responsibilities section), to ensure:

- You concur with the resolution of these matters
- There are no further considerations or matters that could impact on these issues which you need to consider; and
- There are no further significant issues which you are aware of that need to be considered before the financial statements are approved.

# 2023/24 work and building back assurance

Following the commencement of our appointment as external auditors from 2023/24, we have worked closely with the Council by:

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

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

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

Specific procedures we have undertaken in 2023/24 include the following:

- Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- Reviewing minutes of meetings including, but not limited to, full Council, Cabinet and the Audit Committee;
- Agreeing opening balances and comparative figures to prior year financial statements;
- Agreeing the financial statements to the Council's trial balance and general ledger;
- Checking financial statements for internal consistency and arithmetic accuracy;
- Undertaking a high-level Audit Manager and Engagement Lead review of the 2023/24 financial statements;
- Confirming that accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- Updating our scoping procedures following receipt of the financial statements;
- Evaluating any misstatements identified; and
- Drafting an Audit Plan, progress report and Audit Completion Report and presenting these to the Audit Committee.

*continued...*



# 2023/24 work and building back assurance

As per LARRIG guidance issued by the NAO there is a recognition that the process of rebuilding assurance following a previous modified or disclaimed audit opinion will take a number of years, as it will be necessary to rebuild assurance on all balance sheet and CIES areas. Where balances are inherently tied to transactions which occurred during disclaimed periods, particularly reserves, we will need to obtain assurance over these historical transactions. In the case of Three Rivers District Council, disclaimers of opinion issued prior to our appointment as auditors for 2023/24 cover the financial years 2020/21, 2021/22 and 2022/23. In addition, on 5 March 2024 the 2019/20 accounts were qualified as the auditor was unable to obtain sufficient assurance over the fair value of surplus assets going back to the 2017/18 audit year.

As part of our work in 2023/24, we have begun assessing what work, carried out in 2023/24, can be used to inform the process of rebuilding assurance in future years. We reported in our progress report in November the areas in which we aimed to focus our audit efforts.

Where work was able to be undertaken in these areas, we intend to accrete this work into future audit periods to inform the future building back of assurance. We are committed to working with the Council over the term of our appointment towards a position of being able to issue an unmodified opinion. This will require us to apply a process of rebuilding assurance over all financial years for which disclaimers of opinion have been issued.

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

Specific areas in which we have undertaken work in 2023/24 which could be used as part of the rebuilding assurance process for the Council in subsequent years includes the following:

- Journals testing in response to the risk of management override of controls;
- Journals inquiries;
- The Council's cash and cash equivalents;
- Investments;
- Borrowing;
- IT General controls and work under ISA315;
- Business process documentation and walkthroughs;
- Income strip;
- Payroll testing;
- Members Allowances;
- Other service expenditure including audit fees;
- Interest payments;
- Fees and charges;
- Interest and Investment Income;
- Accounting Policies;
- Payroll disclosures;
- Senior officers/Remuneration report;
- Provisions and contingent liabilities;
- Litigation and claims;
- Going Concern.

# 2023/24 work and building back assurance

## Audit differences

In the financial statements published at the time of our work we identified the differences summarised here:

- Audit fees are inaccurately disclosed
- Disclosure errors in the banding of senior officer remuneration

Management has agreed to amend the accounts in respect of the identified errors and disclosure errors we have identified in the work completed to date. Due to the imposition of the statutory backstop, there may be other errors in the accounts which have not had time to be subject to detailed audit procedures.

## Other matters

We also identified the following matters from our work:

- A number of control recommendations were raised and agreed with management as a result of our work on IT General Controls, undertaken in line with the requirements of ISA315
- From the journal inquiries we requested of individuals responsible for posting journals, 6 were not returned to us.
- While performing the PPE walkthrough we noted that there is no evidence of the review of the actual draft valuation report by management and property team.
- While reconciling the PPE note and Fixed Asset Register (FAR) to the valuer's report, we identified variances between the PPE note/FAR and the valuers report.

# Group audit

As group auditors, under ISA (UK) 600 (Revised November 2019), during our audit we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process in order to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

We set out our initial group audit scoping and risk assessment in our audit plan. We have updated this based on any subsequently changes to the group structure and your draft 2023/24 financial statements The following table sets out our initial planned response for the components within the group.

Component	Significant?	Level of response required Planning	Level of response required Final
Three Rivers District Council	Yes	Comprehensive	Comprehensive
Three Rivers Commercial Services (TRCS) Ltd	No	Analytical	We will carry out analytical procedures at a group level
Three Rivers Development LLP (joint venture with TRCS Ltd)	No	Analytical	We will carry out analytical procedures at a group level

<b>Comprehensive</b>	The component is of such significance to the group as a whole that an audit of the component's financial statements is required for group reporting purposes
<b>Targeted</b>	The component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit
<b>Analytical</b>	The component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

Due to the disclaimed audit position from the prior year and the statutory backstop for 2023/24 of 28 February 2025, we have determined we are unable to complete all our planned work, including the work on the group components. Our disclaimer of opinion will therefore cover both the financial statements of the Council and those of the group.

# Significant matters

As required by the ISAs, we must notify you of the significant findings from the audit. Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

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

# Financial statements: other responsibilities

As required by the ISAs, we must notify you of other matters if they are significant to your oversight of the Council's financial reporting process. Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

Matter	Commentary	Outcome
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with management and the Audit Committee and reflected this in our audit plan. We have not subsequently been made aware of any other incidents.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
<b>Matters in relation to related parties</b>	ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our audit planning you have informed us of the individuals and entities that you consider to be related parties. Detail of related parties' disclosures was sent to us on 25 November 2024.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
<b>Matters in relation to compliance with laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
<b>Written representations</b>	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.

*continued....*

# Financial statements: other responsibilities

Matter	Commentary	Outcome
<p><b>Confirmation requests from third parties</b></p>	<p>We requested permission from the Council to send confirmation requests to third parties. All requested confirmations have been received.</p> <p>We also requested management to send letters to those solicitors who worked with the Council during the period. We received responses to all our enquiries.</p>	<p>We have received all bank confirmations.</p> <p>Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.</p>
<p><b>Going concern</b></p>	<p>Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.</p> <p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements during our audit and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).</p>	<p>Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the ‘CIPFA Code’ and Practice Note 10. We concur with this assessment.</p> <p>As we will be issuing a disclaimer of opinion, we have not considered whether there are any material uncertainties that would need to be disclosed in the financial statements.</p>

*continued....*

# Financial statements: other responsibilities

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

# Audit adjustments

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

## Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement		Balance Sheet		Impact on general fund £000
	Dr £000's	Cr £000's	Dr £000's	Cr £000's	£000's
Audit fee expenditure	69				(69)
Short Term Creditors				69	
<i>To correct error in audit fee disclosure</i>					
<b>2023-24 Total overall impact</b>	<b>69</b>			<b>69</b>	<b>(69)</b>



# Audit adjustments

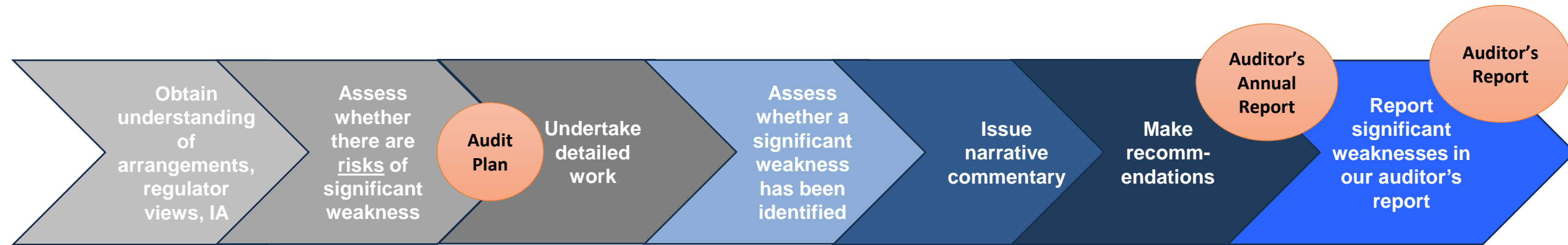
## Misclassification and disclosure changes

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

Disclosure change	Auditor recommendation	Adjustment agreed Y/N?
<a href="#">Senior Officer Remuneration disclosure banding</a> <ul style="list-style-type: none"><li>• Incorrect banding for some senior officers</li></ul>	Management should update the disclosure to match the correct banding	Yes
<a href="#">Minor presentational, formatting and disclosure issues</a> <p>We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts.</p>	Management should adjust for all minor presentational, formatting and disclosure issues identified by the audit team	Yes

# Value for money

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



In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, as set out in AGN 03), we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. We undertook our planning risk assessment procedures earlier in the year and reported these were subject to the work to be undertaken by the predecessor audit for the 2022/23 year. In completing our risk assessment procedures, we did not identify any risk of significant weaknesses in the Council's VFM arrangements, subject to the findings of the predecessor work.

The predecessor auditor has now reported their work for 2022/23 and has not identified any significant weaknesses. We have updated our planning risk assessment to take account of these reported outcomes. This is set out in the table on the next page.

In undertaking our work for 2023/24 we have not, to date, identified any significant weaknesses in arrangements. Should this change before our issuing of our audit report we will report this to you. Our detailed findings will be reported in our Auditor's Annual Report.

# Value for money: updated risk assessment

The predecessor auditor has reported significant weaknesses in 2022/23 as follows, together with the associated key recommendations.

Criteria	Significant weaknesses reported in 2022/23	Key recommendations made by prior year auditor in 2022/23	Impact on 2023/24 risk assessment
Financial sustainability	None	None	N/A
Governance	None	None	N/A
Improving economy, efficiency and effectiveness	None	None	N/A

# Value for money 2023/24 outcome

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

We are in the process of finalising our work on your arrangements for value for money in respect of 2023/24. We will report the detailed findings in respect of these matters in our Auditor's Annual Report. Should we identify significant weaknesses in our finalisation considerations, we will report these to you together with their impact on the Audit Report (opinion).

# Independence and ethics

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

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

In particular:

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

## Assurance service fees

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

# Appendices

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# Appendix I: Internal control recommendations

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

Assessment	Issue	Recommendation	Management response
<b>Other deficiency</b>	<p>Shared accounts which have admin privileges and are not attributable to an individual with no secure storage are present.</p> <p>Access to systems relevant to financial reporting processes is not attributable to individual users, thus reducing the ability to monitor appropriate and/or inappropriate activities in the system.</p>	We recommend that the organisation should limit the use of shared accounts. Where shared accounts are required, their access should be limited to their purpose and have strict password controls in place.	Management has agreed to implement an action to address the recommendation.
<b>Other observations</b>	<p>The password configurations within the Finance system did not match the password policy.</p> <p>Weak password management controls result in an increased likelihood of brute-force attack (i.e. a password cracking method used by cyber-criminals used to determine account credentials).</p>	We recommend that the password configuration should updated be to be in line with the password policy of 12 characters and complexity enabled.	Management has agreed to implement an action to address the recommendation.

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

# Appendix I: Internal control recommendations

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

Assessment	Issue	Recommendation	Management response
<b>Other observations</b>	As part of the IT general control and cyber security review performed, we were initially informed that no terms of reference exist for the Corporate Management Team and the IT Steering Group by personnel in IT. However, management have subsequently provided these and stated they had always been in place.	Management should ensure all members of the groups are aware of the terms of reference, objectives and purpose of each committee.	Management has raised awareness of these.
<b>Other observations</b>	The Council do not have Information Asset Registers in place. The creation of the Information Security Risk Assessment that will provide a comprehensive register of Information Assets, has not yet been actioned.	A comprehensive asset register should be created for all Informational Assets, as expected. This should be completed by identifying information assets and documenting key areas such as asset name, source of data, description and classification, retention periods and security measures such as who has access and permissions. An Information Asset Owner should be assigned to each asset to monitor risks. The Information Asset Register should be regularly reviewed and updated.	Management has agreed to implement an action to address the recommendation.

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



# Appendix I: Internal control recommendations

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

Assessment	Issue	Recommendation	Management response
Other observations	While performing PPE walkthrough, we noted that there is no evidence of the review of the actual draft valuation report by management and property team.	Management should ensure that there are adequate processes in place to enable timely review of valuation report	Management has agreed to implement an action to address the recommendation.
Other observations	While reconciling the PPE note and Fixed Asset Register (FAR) to the valuer's report, we identified variances between the PPE note/FAR and the valuers report.	Management should ensure that they review and reconcile the figures as per the Fixed Asset Register to the valuer's report and the financial statements	TBC

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

# Appendix II: Fees

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

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

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

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

# Appendix II: Fees

Audit fee	Audit plan 2023/24 £	Proposed final 2023/24 £
Scale fee for the audit of the Council (and Group's) financial statements (as set out in the fee scales issued by PSAA)	137,006	137,006
New auditing standards: ISA315 and ISA240	20,551	20,551
Group accounts	12,550	12,550
Accounting for Income strip (value for money work, additional work focusing on risks relating to financial sustainability and governance arising from the income strip investment and lease, involving use of audit specialist)	18,000	18,000
<b>Total before impact of disclaimed opinions</b>	<b>188,107</b>	<b>188,107</b>
Additional work arising from current and prior year disclaimers of opinion ( <b>note 1</b> )	TBC	15,000
Additional work in respect of future 'build back' activity ( <b>note 2</b> )	TBC	0
<b>Total audit fee</b>	<b>TBC</b>	<b>203,107</b>
Certification of the HBAP claim	<b>28,000</b>	<b>TBC</b>
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

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

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

*Note 3: The fees in the accounts are £69k which is the billed amount of original scale fee up to October 2024. However, the full scale fee of £137k should have been recognised in year. Management have acknowledged this error but not amended the accounts as the difference is not material. Management have added a disclosure to Note 15 instead to state the total fee.*

# Appendix III: PSAA Statement of Responsibilities

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

## ***Preparation of the statement of accounts***

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

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

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

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



We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

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