Year End Report to the Audit and Standards Committee

Uttlesford District Council

Year end report for the year ended 31 March 2024

27 February 2025

Introduction

To the Audit and Standards Committee of Uttlesford District Council

We are pleased to have the opportunity to meet with you on 27 February 2025 to discuss the results of our audit of Uttlesford District Council as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our Initial audit plan, presented on 26 September 2024. We have subsequently finalised our audit plan in line with the audit planning work performed, please refer to the final Audit plan. We will be pleased to elaborate on the matters covered in this report when we meet.

The engagement team

We expect to be in a position to sign our audit opinion on the approval of the financial statements and auditor's representation letter by the 28th of February 2025, provided that the outstanding matters noted on page 3 of this report are satisfactorily resolved.

We will be issuing a disclaimer audit opinion for the reasons outlined on page 4.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

Dean Gibbs

Director

27 February 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the consolidated financial statements of Uttlesford District Council (the 'Council') and its subsidiaries (the 'Group'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Council's Audit and Standards Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit and implications of the statutory backstop

Page 4 'Our audit and the implications of the statutory backstop' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements.

Due to the matter mentioned on page 4, we have not managed to complete audit testing as per our audit plan. We have commenced testing in some areas, in particular pensions and property, plant and equipment. However, we have only performed risk assessment procedures for all the other balances in the statement of accounts. We could not obtain assurance over the opening balances as stated on page 4.

This report is addressed to Uttlesford District Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Our audit and the implications of the statutory backstop

Measures to resolve the backlog

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For Uttlesford District Council this has resulted in a disclaimed audit opinion for 3 financial years to and including 2022/23.

Those same amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, as auditors we are required to provide our audit report on those financial statements in sufficient time to enable the Council to publish its audited financial statements by this date, irrespective of if the audit is complete or not.

The Appendix 'Local Audit - Reset and Recovery' provides more detailed information regarding this. The appendix also provides more detail on the implication of this in future audits, in respect of rebuilding assurance.

Impact on our audit of the financial statements

The impact of the above means that for the financial year 2023/24 we have not been able to obtain sufficient appropriate audit evidence in respect of the 2023/24 opening balances and the comparatives balances relating to 2022/23. The work we have performed in 2023/24 is explained on the next page.

As explained in the previously referenced appendix, the level of rebuilding assurance has been limited in 2023/24 as we have determined that there is insufficient time to complete our audit to obtain sufficient appropriate audit evidence, and, in our view, this is pervasive to the financial statements as a whole.

As a result of the above and irrespective of the level of work completed on 2023/24 balances, we intend to issue a disclaimer opinion on the financial statements. See Appendix for an extract of our draft audit opinion on page 25

Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Page 18 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2023/24.

Our audit and the implications of the statutory backstop

Work completed in 2023/24

Our audit plan, presented to you on 26 September 2024 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks, in the pages overleaf, identifying the work we have and have not been able to complete.

Although we are disclaiming our audit opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report.

Specifically in relation to 2023/24 we have completed our work on the following areas;

- Recognition of the Surplus on the net pension asset(see slide 13)
- Valuation of Post retirement benefits obligations(see slide 11)
- Review of Component auditor's work and Component reporting

We have completed some of the procedures as communicated to you in the Audit Plan for these areas;

- Valuation of Council Dwellings(see slide 7)
- Valuation of Other Land and Buildings(see slide 8)
- Management override of controls(see slide 10)
- Fraud Risk from Expenditure recognition(see slide 12)
- Valuation of investment Properties(see slide 9)

Other Areas

- Payroll -Payroll controls testing
- Cash and Cash equivalents- agreement of bank reconciliation balances to third party confirmations
- Receipt of component reporting from auditors of Aspire CRP Limited and review of component auditor file.

We have been unable to complete our work on the following areas:

- Opening balances;
- Movements in usable and unusable reserves for the year ended 31 March 2024;
- Work associated with significant risks on: Land and Buildings, Investment Property, recognition of pension surplus and Management Override of Controls
- Other work areas: Investments; all other areas of Income and Debtors; PFI ,all other areas of Expenditure and Creditors; Related Parties, Housing Revenue Account and the Collection Fund.

Challenges with progressing work

Matters which led to significant challenges in performing the audit included the following:

- We encountered delays in provision of information as required to complete the audit planning and risk assessment procedures. The information requested in January 2024 was provided to the audit team in August 2024 and walkthroughs continued into late 2024.
- Significant delays due to unavailability of entity staff in the January 2024-August 2024. We had initially agreed to do the audit planning in the first quarter of 2024, however due to capacity constraints with the Council financial team, our audit planning was moved to August 2024.
- We encountered significant delays in our VFM work. The VFM Management questionnaire was not fully responded to on time.
- The number and scale of issues identified – we have identified four VFM significant risks, which increased the scope of the work undertaken.

We are in process of considering the impact on our audit fees because of some of these challenges and have also discussed a fee variations with management. These are outlined on page 31.

We are working with management in advance of the 2024/25 audit to ensure these are addressed where possible.

Our audit findings

Significant audit risks	Page 8-12
Significant audit risks	**Our findings**
Valuation of Council dwellings	We have been unable to conclude our planned scope of work over this risk. Based on the work performed, we have raised a significant control deficiency relating to lack of in-depth management review of valuation reports.
Management override of controls	We have been unable to conclude our planned scope of work over this risk. We have raised significant control deficiency regarding lack of segregation of duties in the journal entries posting process.
Valuation of land and buildings	We have been unable to conclude our planned scope of work over this risk. Based on the work done, we have raised a significant control deficiency relating to lack of in-depth management review of valuation reports.
Valuation of investment property	We have been unable to conclude our planned scope of work over this risk. Based on the work done, we have raised a significant control deficiency on lack of in-depth management review of valuation reports
Valuation of post retirement benefit obligations	We have not identified any issues in relation to the assumptions used within the valuation of the LGPS gross pension liability, We involved KPMG actuarial specialists in reviewing the actuarial assumptions. Assumptions were found to be balanced.
Recognition of the surplus on the net pension asset	We have been unable to conclude our planned scope of work over this risk. We have not identified any issues with the principles used in determining the surplus to be recognised, however we were unable to obtain the data required to verify the calculations performed.
Expenditure Recognition	We identified control deficiency as Council do not have control in place to verify that manual expenditure is completely and accurately recorded in the financial statements.
Opening Balances	A disclaimer opinion was issued on prior year financial accounts; therefore, we could not confirm the accuracy and place reliance on the Opening balances.

Number of Control deficiencies	Page 33-37
Significant control deficiencies	2
Other control deficiencies	7
Prior year control deficiencies remediated	0

Misstatements in respect of Disclosures	
Misstatement in respect of Disclosures	**Our findings**
Disclosure	**3 Disclosure misstatement identified**

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

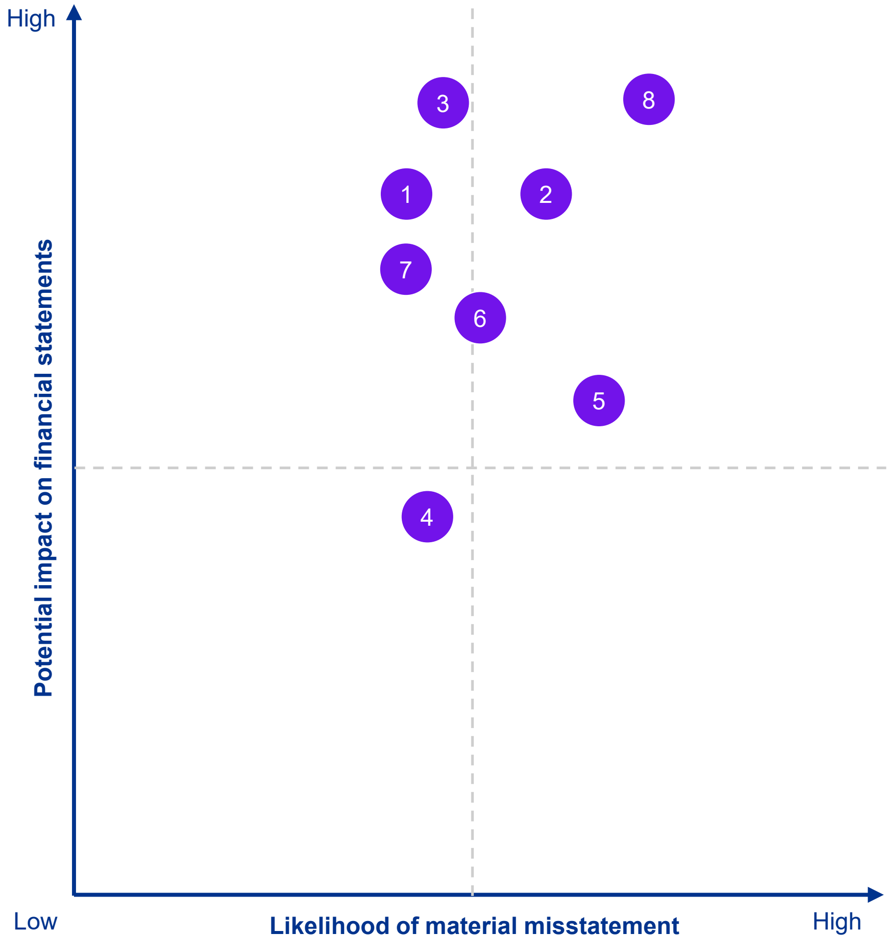
Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which the Council operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

We have set out our findings relating to risk 8 – opening balances – on page four.

Significant risks	
1.	Valuation of Council Dwellings
2.	Valuation of Land and Buildings
3.	Management override of controls
4.	Recognition of surplus on net pension asset
5.	Valuation of post retirement benefit obligations
6.	Expenditure recognition
7.	Valuation of Investment Properties
8.	Opening balances

Key: # Significant financial statement audit risks



Audit risks and our audit approach

1 Valuation of Council Dwellings

The carrying amount of revalued Council Dwellings differs materially from the fair value

Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a valuation model which sees the Council dwelling revalued in every financial period by valuation expert , Wilks Head and Eve. The expert applies Beacon approach in valuing the Council dwellings.
- Housing Beacons are valued by Wilks Head and Eve. A typical dwelling is identified for each dwelling type that the council owns and these are known as Beacon properties and the valuer will value these Beacon properties and the value for each will be applied to all the properties of the same Beacon type. This creates a risk around the appropriateness of the approach and a risk that the carrying value of assets not revalued in year differs materially from the year end current value.
- A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.
- The value of the Council Dwellings as at 31 March 2024 was £379m, that were subject to valuation.

Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We have assessed the independence, objectivity and expertise of Wilks Head and Eve, the valuers used in developing the valuation of the Council's properties as at 31 March 2024.
- We inspected the instructions issued to the valuers for the valuation of council dwellings to verify they were appropriate to produce a valuation in line with the CIPFA Code.
- We have evaluated and confirmed the appropriateness of the valuation method used by Wilk Head and Eve.
- Performed inquiries of the valuers in order to challenge the appropriateness of assumptions used in developing the valuation.

We identified a control deficiency as the review performed by management of the valuation report was not sufficiently specific to meet the requirements of auditing standards for a management review control.

We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop as explained on page 4, refer to next page

- Assess the appropriateness of the assumptions used in the valuations of Council dwellings, such as beacon rates;
- Assess how beacons had been applied to other properties included within the valuation to ensure that they were appropriate.

Audit risks and our audit approach (cont.)

2 Valuation of Other land and buildings

The carrying amount of revalued Other Land & Buildings differs materially from the fair value

Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a revaluation model which sees Other land and buildings revalued every year by valuation expert, Wilks Head and Eve. The experts used Depreciated Replacement Cost and Current Value approaches to value Other buildings.
- As per the 2023/24 Fixed Asset Register The Net Book Value of Other land and buildings was £46 million. Due to the magnitude of the balance and assumptions used valuing the Other Land and Buildings, we have concluded that there is significant risk around valuation of these assets.
- A further risk is presented for the assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

Our response and findings

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We have assessed the independence, objectivity and expertise of Wilks Head and Eve, the valuers used in developing the valuation of the Council's properties as at 31 March 2024.
- We inspected the instructions issued to the valuers for the valuation of council dwellings to verify they were appropriate to produce a valuation in line with the CIPFA Code.
- We have evaluated and confirmed the appropriateness of the valuation method used by Wilk Head and Eve.
- Performed inquiries of the valuers in order to challenge the appropriateness of assumptions used in developing the valuation.

We identified a control deficiency as the review performed by management of the valuation report was not sufficiently specific to meet the requirements of auditing standards for a management review control.

We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop as explained on page 4;

- Inspect the methodology followed for the valuation of land and buildings to verify that they were appropriate to produce a valuation consistent with the CIPFA Code;
- Assess the assumptions adopted for the valuation to determine whether they were appropriate;
- Agree the calculations of the movements in fair value of land and buildings and verify that they have been accurately accounted for in line with the requirements of the Code.

Audit risks and our audit approach (cont.)

3 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Significant audit risk

- The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.
- The value of the Investment Properties as at 31 March 2024 was £269m, including the Chesterford Park.
- There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.
- The key inputs used in determining value of the investment properties such estimated rent per square metre and market yield may result in material misstatement if these are incorrectly determined.
- Due to the magnitude of the balance and assumptions used in valuation of Investment Properties we have concluded that there is significant risk on valuation of Investment Properties

Our response and findings

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We have assessed the independence, objectivity and expertise of CBRE, the valuers used in developing the valuation of the Council's properties as at 31 March 2024.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; we have noted these controls to be effective which is notable given the stringent criteria around management review controls.
- Agreed key inputs into the valuation calculations, being floor data and annual rentals, to supporting evidence to verify their accuracy;
- Assessed the methodology used by CBRE to verify that it was consistent with the requirements of the CIPFA Code;

We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop as explained on page 4;

- Challenged the key assumptions used in the valuation such as estimated rental value and market yield.
- Recalculate the fair value for properties using the inputs to the valuation model.

Audit risks and our audit approach (cont.)

4 Management override of controls

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.
- We are aware that during the last period subject to audit there were issues identified relating to potential conflicts of interest. We understand that these have been fully investigated by the Council subsequently.

Our response and findings

We have performed the following procedures designed to specifically address the significant risk associated with management override of controls;

- We evaluated the design and implementation of controls over journal entries process. Based on the work performed , we identified a control deficiency as there is not segregation of duties within the journal posting process.
- Based on the review of financial statements , we did not identify significant transactions that are outside the Council's normal course of operations.

We have been unable to perform the following procedures specifically designed address this significant risk associated as a result of the backstop as explained on page 4:

- Identify journals that displayed higher risk characteristics based on analysis of the journals posted during the year and perform testing to assess their appropriateness.
- Assessing the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates – in regard to investment property and land and buildings.
- Assessed accounting estimates for biases by evaluating whether judgement and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias – regarding post retirement benefit obligations only.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

5 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious | Neutral | Optimistic

Key: Prior year | Current year

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Essex Local Government Pension Scheme

Our response and findings

We have performed the following procedures :

- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including obtaining actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- Assessed the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach (cont.)

5 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious | Neutral | Optimistic

Key: Prior year | Current year

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more Council are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Our findings

While we are disclaiming our audit opinion we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We assessed the competency and objectivity of the Scheme actuaries and did not identify any reportable findings.
- Our actuaries have performed inquiries of the actuaries and have reviewed the underlying assumptions behind the calculation of the estimate. We have concluded that the overall assumptions are balanced relative to our central rates and within a reasonable range.
- We have performed a reconciliation of the triennial funding valuation position to the opening IAS 19 figures as at 31 March 2022. Our checks are within our acceptable tolerances.
- In line with International Auditing Standards, it is important for management to have ownership over the defined benefit pension valuation, even though this draws upon the expertise of actuarial experts engaged by the pension fund itself. While we are aware that management has discussed the assumptions to be used with the scheme actuary, this review and challenge by management has not been documented for our review in line with the requirements of auditing standards for an effective management review control.

Audit risks and our audit approach (cont.)

6 Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded

Significant audit risk

- The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget.
- We consider that there could be an incentive for management to seek to manipulate the level of expenditure recorded at year end in order to report financial performance within the level of usable reserves. We consider this would be most likely to occur through the reduction of accruals that are required to be made at 31 March 2024 to report stronger financial performance.

Our response and findings

We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop as explained on page 4:

- Evaluate the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded.
- Inspect a sample of invoices of expenditure and payments made, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;
- Inspect journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and
- Compare the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure not accrued for as at 31 March 2024 have been done so appropriately.

Audit risks and our audit approach (cont.)

7 Recognition of the surplus on the net pension asset

Management's assessment of the level of recognisable surplus may not be in line with requirements

Significant audit risk

- Recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme.
- •The requirements of the accounting standards on recognition of these surpluses are complicated and require actuarial involvement.
- •The Council will need to assess the level of economic benefit it can derive from this surplus, as per the requirements of IFRIC14. This assessment will be required each year, and the outcome may change as it will depend upon market conditions at the year end and any changes in the contributions committed to under the rates and adjustments certificate.

Our response and findings

We will perform the following procedures:

- We assessed the methodology adopted by the Fund actuaries to determine the proportion of the surplus that is able to be recognised by the Council.

We determined that the Council is not recognising any of its share of the Scheme surplus as it has determined that the ongoing payment of secondary contributions will continue for the remaining recovery period of the scheme.

While this approach is consistent with the general principles of the minimum funding liability, we have been unable to obtain the calculations underlying the calculation of the asset ceiling in order to assess whether they have been appropriately performed or recalculate the minimum funding liability.

Key accounting estimates and management judgements – Overview

Our view of management judgement

Cautious | Neutral | Optimistic

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Defined benefit plan	Cautious / Neutral / Optimistic	90.5	0.16	Needs improvement / Neutral / Best practice	KPMG actuaries have reviewed the actuarial valuation for the Council, considered the disclosure implications and compared the actuarial valuation to our internal benchmarks. Overall, we consider the assumptions adopted to be balanced relative to our benchmark range.
Defined benefit assets	Cautious / Neutral / Optimistic	114.8	12.4	Needs improvement / Neutral / Best practice	The pension assets balance has increased by 11% in comparison to prior year. The rate of return confirmed by the pension fund is similar to the actuary's report, hence its on Neutral side.

Group involvement – Significant component audits

Our oversight of component auditors was in line with the plan set out at the strategy stage. We reviewed the planned procedures in relation to significant risk areas and then assessed the execution of this work. We considered the basis for the findings reported to the Group team and these were discussed in more detail, and further work performed where required.

The group engagement team's evaluation of the work performed by component auditors was that sufficient appropriate evidence was obtained.

Component	Areas of audit risk								Review of work papers	Significant matters discussed with component auditors
	1	2	3	4	5	6	7	8		
Aspire CRP Limited			✓	✓					✓	None

Other matters

Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (‘the Code’). Based on the work performed: We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.

- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council. As Audit and Standards Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council’s performance, model and strategy.

Annual Governance Statement

We have reviewed the Council’s 2023/24 Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We are unable to issue assurance statement due to matters related to backstop as reported in page 4.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our PSAA prescribed 2023/24 audit scale fee for the audit was £150,805 plus VAT. We have highlighted fee variations to management during the audit, primarily relating to the introduction of new auditing standards, the inclusion of Aspire as a significant component, which was not envisaged when scale fees were set and identifying four value for money significant risks.

We have also completed non-audit work at the Council during the year on Housing Benefits and have included on page 28 confirmation of safeguards that have been put in place to preserve our independence.

01

Value for money

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified three risks of a significant weakness in the Council's arrangements to secure value for money. Overleaf we have set out our response to those risks.

Within our Auditor's Annual Report we have set out recommendations in response to those significant risks that led to a significant weakness.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	2 significant risks identified	2 significant weaknesses identified
Improving economy, efficiency and effectiveness	1 significant risk identified	No significant weaknesses identified

Further detail is set out in our Auditor's Annual Report.

Performance improvement observations

As part of our work we have identified one Performance Improvement Observation, which are suggestions for improvement but not responses to identified significant weaknesses. This is included within our recommendations as part of this report.

Significant value for money risks

1 Strategic risk management arrangements

Risk that value for money arrangements may contain a significant weakness linked to governance

Significant Value for Money Risk

Description

An internal audit carried out over the arrangements in 2023/24 identified that the risk management policy was out of date and that the corporate risk register had not been reviewed by the Audit and Standards Committee or the Cabinet during 2023/24.

It also identified that there were not sufficient arrangements in place for risks identified through service line plans to be assessed for inclusion within the corporate risk register.

Our response

Response

We have reviewed the detailed findings of the internal audit report into the Council's governance arrangements.

We have reviewed the risk management policy that was in place during 2023/24 to assess whether it was appropriate and to understand the arrangements that were expected to be in place.

We have reviewed minutes and papers of Audit and Standards Committee and Cabinet during the year in order to assess how risk was overseen.

We have performed inquiries of key staff involved in the risk management process to understand how it operated during the year.

Our findings

Findings

We have verified that there was no overview provided to the corporate risk register during 2023/24.

We understand that this is because there was a period of transition, with the responsibilities for overseeing the corporate risk register transferring from Audit and Standards Committee to Cabinet.

While we understand this was the driver of there not being review we consider that there should have been arrangements in place for the corporate risk register to be reviewed by a committee of Council while the transfer of responsibility to Cabinet was occurring.

Conclusion

Based on the findings above we concluded that there was a significant weakness in the arrangements in the period.

Significant value for money risks

2 Capacity of finance function

Risk that value for money arrangements may contain a significant weakness linked to governance

Significant Value for Money Risk

Description

The 2022/23 annual report and accounts was not able to be signed off by the backstop date set due to a delay in the accounts being prepared and published for inspection.

The 2023/24 accounts were not published until 14 January 2025, 7 and a half months after the statutory deadline for their preparation of 31 May 2024.

We considered this to be a risk that there was insufficient capacity within the finance function.

Our response

Response

We have assessed the cause of delays to the publication of draft accounts for both 2022/23 and 2023/24.

We have reviewed the findings of the report commissioned by CIPFA into the financial management arrangements in place at the Council.

Our findings

Findings

While we acknowledge that there have been many conflicting pressures affecting the Council, including the need to close down a number of historic audits, we have considered that the delays in preparing and publishing the annual report and accounts for 2022/23 and 2023/24 was indicative of a significant weakness in the arrangements to ensure that statutory responsibilities could be complied with.

The CIPFA review of the finance function identified that there were single points of failure within the finance function.

While we note that the function has been strengthened since the period under review we consider that during 2023/24 there was a significant weakness.

Significant value for money risks

3 Management of housing outsourced service

Risk that value for money arrangements may contain a significant weakness linked to improving economy, efficiency and effectiveness

Significant Value for Money Risk

Description

In 2022 the Council made a self-referral to the Regulator of Social Housing due to concerns identified that it was not compliant with the requirements of the regulator relating to compliance with health and safety standards.

The provision of repairs, maintenance and improvements for the Council's housing stock is managed through a joint venture, Uttlesford Norse Services Limited.

We identified a significant risk relating to possible non-compliance with regulations and the management of the contract with UNSL.

Our response

Response

We reviewed the Council's correspondence with the Regulator of Social Housing.

We reviewed the latest monitoring of performance against health and safety standards.

We reviewed progress against the action plan set by management in response to the self-referral and the condition survey undertaken by Penningtons.

We assessed the strength of the contract monitoring arrangements with UNSL.

Our findings

Findings

The Council was notified during 2023 that no action was planned to be taken by the Regulator of Social Housing as they were satisfied sufficient progress was being made with the action plan.

We reviewed the latest performance monitoring report prepared by the housing team and were satisfied that there was evidence that improvements in performance had been sustained during the year.

While we note that there were challenges with managing the contract with UNSL due to an absence of defined performance measures we were satisfied that management had an action plan to resolve these gaps by bringing the service back in house.

We therefore did not consider there was a significant weakness in arrangements.

Recommendations

We raised the following recommendations in response to significant weaknesses identified in our value for money procedures.

#	Recommendation	Management Response
1	**The Corporate Risk Register was not reviewed and updated in financial year 2023/24** The Council should focus on embedding its risk management process and ensure Cabinet regularly reviews the Corporate Risk Register. There is need for the Council's subcommittee to have oversight on the Council's risk management process by ensuring risks are adequately captured through the risk management processes, identifying new risks or escalating risk grades as appropriate.	The Council will continue to develop its Risk Register through review by Cabinet and all appropriate sub committees, embedding the process into routine and regular review. **Adrian Webb (implementation from 01-04-2025 for 2025/26 financial year).**
2	**Late publication of statement of accounts and non-compliance with statutory dates** We recommend the Council to comply with the statutory reporting deadlines by publishing the accounts before the date as determined by Secretary of State. We also noted that , in order for Council to improve the efficiency and capacity of its Finance division, the Council should aim to address the challenges raised in the CIPFA financial management report. The Council should ensure that the Finance management team is well-resourced and have the capacity to execute the finance functions as illustrated in the CIPFA Code Financial Management report.	The Council has implemented a detailed timetable for 2024/25 financial year closedown, aimed at publishing full "true and fair" accounts by 31/05/2025 as per statutory requirement. The Council will also revied the CiPFA report and look to implement all recommendations as quickly as possible. Resourcing the finance team is an ongoing priority, the Council will control recruitment and where staff leave, competent replacements be sought. **Adrian Webb (implementation occurring already)**

Appendices

Contents	Page

Local Audit - Reset and Recovery

Background

It has been widely reported the level of delays in Local audit had grown to an unacceptable level. As a result, Central Government has been working with the Financial Reporting Council (FRC), as incoming shadow system leader and other system partners to develop proposals to address issues in the local audit. These consist of three stages:

Phase 1: **Reset** involving clearing backlog of historical audit opinions.

Phase 2: **Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycle.

Phase 3: **Reform** involving address systemic challenge in the local audit system and embedding timely financial reporting and audit.

Implementation of Reset and Recovery

The Accounts and Audit (Amendment) Regulations 2024, introduced backstop dates by which local bodies must publish audited accounts and the NAO have also issued the revised 'Code of Audit Practice 2024 **Code of Audit Practice** that requires auditors to give an opinion in time to enable local bodies to comply with the backstop date. The table overleaf identifies the backstop dates and the status of your audits where impacted.

The NAO has also published Local Audit Rest And Recovery Implementation Guidance (LARRIGs), which have been prepared and published with the endorsement of the FRC and are intended to support auditors in meeting their requirements under the Act https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors

Local Audit - Reset and Recovery

Financial year	Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Recovery period and audit work

The implication of receiving a disclaimed audit opinion for 2 of financial years to and including 2022/23 means that for the financial year 2023/24 we have not been able to rely on the opening balances from 2022/23.

To obtain sufficient appropriate audit evidence over opening balances, auditing standards identify two approaches. One of those is to use the working papers and other information available on the prior year audit file, which as noted above has not been possible as the outgoing auditor has not been able to complete their audit. An alternative approach is the performance of specific audit procedures to obtain evidence regarding opening balances.

The LARRIGs, in particular LARRIG 05 *Rebuilding assurance following a disclaimed audit opinion,* was only finally published in September 2024 and further guidance, mentioned in the LARRIG in the format of a case study was only released in December 2024.

We also note there is an ongoing sector wide process, convened by the Financial Reporting Council (FRC) with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances. This, along with the backstop date for 2022/23 being only 2 months prior to that of the 2023/24 period, has limited the extent of building back assurance that has been possible in 2023/24.

The table overleaf identifies an indicative pathway to returning to an unmodified opinion. However, it must be noted this is only an indicative pathway and the speed of progress will depend on a range of factors including the level of work required to provide assurance on opening balances, in particular PPE balances and reserves balances.

Local Audit – Reset and Recovery

Rebuilding assurance

Given the importance and complexity of reserves balances and management, a detailed risk assessment will be undertaken to understand the level of work required to obtain sufficient appropriate audit evidence on the reserves balances. As noted on the previous page, there is an ongoing sector wide process with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances.

We note there may be other factors which impact on the speed of this work – such as the support provided by the audited entity and availability and quality of audit evidence. Where such support is not provided and the availability and quality of audit evidence is not present this will significantly impact on the time taken to build back assurance and the likely cost of such a process in terms of audit fees. As we complete our debrief with management, we can discuss how assurance can be gained on individual account balances and ultimately lead to a position that unmodified opinions can be issued in future years.

Indicative pathway based is reproduced from the LARRIGs

2023/2024	Disclaimer of Opinion	Auditors will begin work to rebuild assurance, gaining sufficient assurance over some, but not all, closing balances. No assurance will be possible over brought forward balances from 2022-23 or comparatives, therefore this will lead the audit to be disclaimed as it cannot be concluded that the financial statements are free from material and pervasive misstatement.
2024/2025	Disclaimer of Opinion / Qualified (Except For)	Auditors will now have obtained sufficient evidence over most, if not all, closing balances in 2024-25, but does not yet have assurance over the brought forward balances that were not audited in 2023-24. This will likely lead the auditor to disclaim, however where auditors have gained assurance over in-year movements, they may be able to issue a qualified opinion instead.
2025/2026	Qualified (Except For)	Auditors should have assurance over the opening and closing balances plus in year movements, but may not have sufficient assurance over the comparative figures. This will likely lead to a qualification by limitation of scope to exclude assurance over the comparative figures – a material, but not pervasive misstatement.
2026/2027 2027/2028	Unmodified	It is expected that most audits, will have assurance over opening balances, closing balances, in-year movements and prior year comparatives. This will result in an unmodified opinion being issued.

Required communications

Our response to these required communications reflects the status of the audit at the point of the backstop.

Type	Response
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	There were 0 adjusted audit differences.
Unadjusted audit differences	There were 0 unadjusted audit differences.
Related parties	We have been unable to complete our work on related parties for the reasons on pages 4 and 5.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing on 17 April 2024.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	Our audit opinion will be disclaimed. See page 4 for further details.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	No significant matters have been identified arising from the audit to be discussed, or subject to correspondence, with management.
Certify the audit as complete	We have not yet certified the audit as complete because our work on WGA is outstanding.
Provide a statement to the NAO on your consolidation schedule	We will issue our report to the National Audit Office following the completion of our work.

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)
Statutory audit	150,803
New auditing standards: ISA315r	7,540
Additional costs and inefficiencies due to delays	TBC
Disclaimer opinion	TBC
Impact of disclaimed opinion	TBC
Additional scope: group reporting	TBC
Additional value for money risks	TBC
TOTAL	**TBC**

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud.
- We are awaiting confirmation of the impact on our fees of the issuing of a disclaimer opinion, which is being discussed with PSAA.
- We have incurred additional work compared to that planned because we identified that Aspire CRP was a significant component of the group, which had not been envisaged when the scale rates had been set. We also identified four significant risks relating to value for money that were not factored into the scale fee originally set.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Standards Committee members

Assessment of our objectivity and independence as auditor of Uttlesford District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £	Value of Services Committed but not yet delivered £
1	Housing benefit grant certification	Self review Self interest	• Standard language on non-assumption of management responsibilities is included in our engagement letter. • The engagement contract makes clear that we will not perform any management functions. • The work is not relied on within the audit file. • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	54,525	-

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	TBC
Other Assurance Services	54,525
Total Fees	**TBC**

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

Yours faithfully

KPMG LLP

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations		
❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	❷	**Lack of segregation of duties** There is lack of segregation of duty in the journal entries posting process. The journal entries are created and posted to the general ledger by one person. There is no control in place to review and authorise the journal entries before posting to general ledger. Lack of controls in the journal entries process may result in errors and increase the risk of inappropriate transactions being posted. Recommendation Council should ensure that there is adequate segregation of duty arrangements in the financial reporting process. A review should be undertaken to assess how segregation of duties could be incorporated into the processing of financial transactions.	The Council will be implementing a new GL system early in the 25/26 financial year.This new GL system WILL require approver by an individual other than inputter to meet segregation of duties, however journals below a certain gross deminimus level (still to be determined) will apply. Until then the current system will remain with manual journals input and approved by 1 person. **Adrian Webb (implementation summer 2025)**
2	❸	**Management Review of Valuation Report** While an informal review is undertaken of the valuation reports for council dwellings and other land and buildings this does not meet the criteria expected within auditing standards for an effective control. This would require that expectations are independently set by management, that thresholds for investigation are defined and that documentary evidence is maintained of the review steps undertaken. Recommendation We recommend the Council to perform a detailed review of valuation reports prepared by experts to ensure these are correctly prepared in accordance with CIPFA code.	The Council will implement a formal review of all non-current assets revalued annually during the closedown process. This will include analytical review with challenge to valuers on any significant changes (+/-10% and/or £1m) and senior UDC officer scrutiny from those with property knowledge and experience. This review will be added to the closedown timetable and formally documented as a report annually. **Joanne MacReady (capital lead) and SeniorOfficers (implementation immediate for 24/25 closedown)**

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

❷ **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

❸ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	❸	**Management review of actuarial assumptions** We noted that the Finance Head reviews the assumptions and methodologies used in the calculation of the IAS 19 Report. However, we noted that the process is not formalised and no reports generated as evidence of the review. As a result, the audit team was unable to obtain the evidence of the review. Recommendation We recommend the Council to perform a detailed review of valuation reports prepared by experts to ensure these are correctly prepared in accordance with CIPFA code.	The Council will implement a formal review of actuary assumptions annually during the closedown process. This will include analytical review with challenge to actuary on any significant changes (+/-10% and/or £10m) and senior UDC officer scrutiny from those with pensions knowledge and experience. This review will be added to the closedown timetable and formally documented as a report annually. **Michael Millar (pensions lead) and Senior Officers (implementation immediate for 24/25 closedown)**

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

② **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

③ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
4	②	**Payroll Reconciliation** We noted that the Council does not prepare monthly Payroll reconciliations to agree the payroll costs as generated from payroll system to the payroll ledger. We recommend on a monthly basis the Council prepares a reconciliation. The reconciliation should explain all reconciling items between the payroll reports (as per iTrent) to payroll ledger.	The Council will continue to undertake monthly payroll reconciliation but will implement formal sign off by appropriate finance officers (approver must be senior to compiler). Official approval being via e-mail once the senior officer is happy the payroll rec is complete and accurate with all timing differences explained and supported with evidence (such as iTrent, bank and GL snips). **Grace Osinnowo (implementation from 31-03-2025)**
5	②	**Review of Bank Reconciliation** We noted that all bank reconciliations for 2023/24 were not reviewed and approved by senior management personnel. Based on management inquiries we were informed that there was no formalised process for the review and approval of bank reconciliations. The process is done at year end to review and sign all the bank reconciliation prepared by an accountant. However, based on the work performed in the current year, we could not get the evidence that bank reconciliation had been reviewed and signed off by senior management personnel.	The Council will continue to undertake monthly bank rec but will implement formal sign off by appropriate finance officers (approver must be senior to compiler). Official approval being via e-mail once the senior officer is happy the bank rec is complete and accurate with all timing differences explained and supported with evidence (such as bank and GL snips). **Helen Swain (implementation from 31-03-2025)**
6	②	**Outdated Policies** We noted that the Council have not been regularly updating its policies such as Bribery Act Policy. The Bribery Act Policy was last updated in 2019. Lack of regular updates of policies may expose the Council to risk such as non-compliance with laws and regulations. A review of the Bribery Act policy should be undertaken to assess whether any changes are required and an updated policy approved.	The Council will implement a full review of all "policies" and update as required. The Bribery Act policy will be reviewed and updates as necessary. **Adrian Webb (implementation spring 2025)**

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
7	2	**Register and Declaration of interest** We noted that the register of interests had not been updated on a timely basis during the audit period to ensure that all declarations had been captured and that an accurate record of related parties should be compiled. This should be completed on at least an annual basis as well as when there are changes in members and the version of the register on the website regularly updated.	The Council will implement a full review of "interest" declarations. This review will be added to the closedown timetable and formally documented as a report annually. **Adrian Webb (implementation immediate for 24/25 closedown)**
8	2	**Capitalisation expenditure** Our inquiries identified the Council does not have high level controls in place designed to detect errors around capitalisation of expenditure. During the course of our walkthrough of capital expenditure, we identified costs that were incorrectly capitalised. Our inquiries identified the process for these controls are not formally documented. However, we noted that a full check was performed by financial officers as part of account preparation. We recommend the Council to strengthen the in-year checks on what is being capitalised to ensure it is appropriate.	The Council will implement a formal review of all non-current assets cap exp before capitalisation annually during the closedown process. This will include line by line cap exp review with challenge to officers if capitalised expenditure classification is dubious. In 2425's closedown the council will initiate manual cap accruals de minimis of £10k to assist and focus cap exp classification. **Joanne MacReady (capital lead) (implementation immediate for 24/25 closedown)**
9	3	**Going concern assessment** We noted that the Council does not prepare a formal going concern assessment as required by International accounting standards. We noted that the Council has prepared the Uttlesford Blueprint which detailed the saving plans and income streams identified to increase revenue. However, the Going concern assessment was not prepared to support the forecast included in the Uttlesford Blueprint to support the Council's ability to continue as going concern. We recommend that Council should prepare the Going Concern assessment of the Council at the end of each financial period.	The Council will implement a formal review of going concern assessment annually, with the Blueprint. This review will be added to the closedown timetable and formally documented as a report annually. **Adrian Webb (implementation immediate for 24/25 closedown)**

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the 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.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, 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:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

ISA (UK) 600 Revised: Summary of changes

Low High

Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquires of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	

kpmg.com/uk