



North Warwickshire Borough Council

Audit Completion Report

Year ended 31 March 2024

February 2025
DRAFT



North Warwickshire Borough Council
Executive Board
Council House
South Street
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CV9 1DE
Postcode

10 February 2025

Dear Executive Board Members

North Warwickshire Borough Council – Audit completion report for the year ended 31 March 2024

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 Council's financial statements, and the National Audit Office's Code of Audit Practice (2024).

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", imposes a statutory backstop date of 28 February 2025 for the publication by the Council of its final Statement of Accounts for 2023/24. The Code of Audit Practice specifies that auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with the statutory reporting deadline. For 2023/24, the work required to complete the audit has increased greatly because 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 31 March 2022 and 31 March 2023. This means we have no assurance on the Council's opening balances at 1 April 2024.

The time constraints imposed by the backstop dates mean we have been unable to complete all necessary procedures, including rebuilding the missing assurance from the preceding years, to obtain sufficient, appropriate audit evidence to support our opinion for 2023/24 and comply with the ISAs (UK). We have therefore determined that we cannot meet the objectives of the ISAs (UK) and we will be issuing a disclaimer of opinion in our auditor's report for 2023/24.

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We have prioritised our resources on providing a level of assurance around the accounts production process and the internal consistency of the Statement of Accounts for 2023/24. We have also carried out a range of audit procedures on transactions and balances which provide information and evidence that we can carry forward into future years' audits. In conjunction with management, we will use this to inform the development of a recovery plan setting out the work required in the coming years to return to unmodified audit opinions.

Alongside our audit of the financial statements, the Code of Audit Practice requires us to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and to report any significant weaknesses we identify. 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. We have raised the same significant weakness identified by the predecessor auditor in relation to the continuing late publication of draft financial statements after the statutory deadline.

The responsibilities of the Council and the Executive Board 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. The Executive Board has 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. Reviewing and overseeing the recovery plan mentioned above will be an important element of this.

This report is intended solely for the information and use of the Council, the Executive Board, 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

Chris Brown

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.

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Contents

Executive summary	5
Quality indicators	9
Audit scope and general approach	10
Materiality	11
Significant risks of material misstatement	12
2023/24 work and building back assurance	14
Significant matters	16
Financial statements: other responsibilities	17
Audit adjustments	20
Value for money	21
Independence and ethics	24
Appendices	
Appendix I: Internal control recommendations	25
Appendix II: Fees	30
Appendix III: PSAA Statement of Responsibilities	33
Additional documents provided alongside this report	
Management representation letter	
Draft audit report opinion	

Executive summary

This section summarises the work we performed on the Council's financial statements, our findings on your value for money arrangements and other matters arising from our audit.

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.

The Council's 2021/22 and 2022/23 audits were concluded in December 2024. Disclaimers of opinion were issued by the predecessor auditor on both years resulting in a lack of assurance on the Council's opening balances at 1 April 2024.

continued....

Executive summary

Financial statements – the 2023/24 audit

The lack of assurance over opening balance 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 discussed with the Executive Board in November 2024. There is insufficient time and resource available to gain sufficient assurance in the 2023/24 audit, including recovering missing assurance from earlier years, before the statutory backstop date of 28 February 2025. We therefore anticipate issuing a disclaimer of opinion on the Council's 2023/24 accounts.

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 and the Executive Board;
- Updated our understanding of the Council, including through review of minutes, discussions 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.
- 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.

In order to issue our 2023/24 auditor's report we require completion of the following matters:

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

We will continue to consider existing and new information which could influence our final audit opinion, a draft of which is provided alongside this report.

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Executive summary

The Council's s151 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 Executive Board.

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 internal controls which are set out in Appendix 1.

Recovery plan

We have prioritised available resources during 2023/24 in carrying out audit procedures to provide information and evidence which we can accrete to future audit periods in line with the guidance set out in the LARRIGs. In conjunction with management, we will use this information as part of our 2024/25 audit to develop a recovery plan setting out the work required in the coming years to return to unmodified audit opinions. We will present this plan to the Executive Board for review and oversight.

Executive summary

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

Value for money

We have 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 concluded there are significant weaknesses in governance arrangements. Further detail is set out in the Value for Money section of this report. Our auditor's report refers to the significant weaknesses in arrangements we have identified and the recommendations we have made.

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

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

KEY:

RED:

Significant improvement required

AMBER:

Developing

GREEN:

Mature

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	Red	The statutory date for Councils to issue unaudited financial statements for 2023/24 was 31 May 2024. The Council issued their unaudited financial statements on 23 December 2024. The statutory public inspection period ran from 23 December 2024 to 10 February 2025.
Quality of working papers provided and adherence to timetable	Red	We experienced significant delays in receiving responses to audit queries. We understand this was because management had to engage with both ourselves and the predecessor auditors. The delays were further exacerbated by the requirement for management to produce the previous year's statement of accounts to enable the predecessor auditors to finalise their disclaimed audit before the first backstop in December 2024. We successfully requested confirmation from third parties and obtained the trial balance from management to reconcile with the accounts and agree the opening balances to the prior year unaudited accounts. We will roll this work forward as part of our plan to accrete assurance within the 'Build Back of Assurance Plan'.
Timing and quality of key accounting judgements	Green	In 2023-24, there were no new, or changes to existing, key management judgments. However, due to time constraints, we were unable to perform a detail review to ensure the key accounting judgments are appropriate and comply with the CIPFA Code.
Access to finance team and other key personnel	Green	The finance team have been accessible to us throughout the course of our audit work.
Quality and timeliness of Narrative Report and Annual Governance Statement	Green	The draft AGS and Narrative Report were received on 23 December 2024. From the work undertaken in the time available ahead of the statutory backstop, we did not identify any significant issues related to the quality of the narrative report and annual governance statement.
Volume and magnitude of identified errors	N/A	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures.

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 risks we identified in our audit plan presented to the Executive Board.

Limitation of scope of work in 2023/24

2023/24 is our first year of appointment as external auditors to the Council. Following the commencement of our appointment we have undertaken planning procedures and 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 allow us to complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

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 to modify the auditor's opinion.

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 materiality at the planning stage as £960,000 for the Council based on 2% of gross expenditure of the prior year unaudited financial statements. On production of the draft financial statements we reconsidered our materiality determination. We have not changed our materiality as communicated in the Audit Plan

We set a materiality of £5,000 for related party transactions, remuneration disclosures, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

Materiality area	Planning (Council) £000	Final (Council) £000	Explanation
Overall materiality for the financial statements	960	960	This is the equivalent of 2% of gross revenue expenditure based on the 2023/24 draft financial statements. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for councils as the users of the Council's financial statements are considered to be most interested in where the Council has incurred expenditure during the year.
Performance materiality	576	576	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	48	48	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to the Executive Board.

Significant risks of material misstatement

This section includes a summary of the significant risk areas we identified during our audit planning that required special consideration. We set out our planned responses to each of these risks in our audit plan.

We have not amended the risks which we reported to the Executive Board in our audit plan dated 27 November 2024.

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	High	The work we completed is set out on the next page.
Management override of controls	Yes	Assess design & implementation	High	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 risks we identified.
Presumption of fraud in revenue recognition	Rebutted	Assess design & implementation	Low	
Expenditure recognition	Rebutted	Assess design & implementation	Low	
Valuation of council dwellings, other land and buildings, heritage asset and investment property	No	Assess design & implementation	High	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 issue a disclaimer of opinion.
Valuation of pension assets and liabilities (IAS19)	No	Assess design & implementation	High	

Significant risks of material misstatement

Identified risk	Audit procedures completed	Outcome
<p>Prior year opinion on the financial statements</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 or 2021/22 financial years. We therefore reported that:</p> <ul style="list-style-type: none"> • There was a risk that issues not yet identified in these audit years could impact the current audit year; • 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. <p>As a result, we reported the significant risk that:</p> <ul style="list-style-type: none"> • 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). • 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 period^s. 	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit; • 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 • considered the impact of any changes in The CIPFA Code requirements for financial reporting in previous and current audit years. 	<p>The Council's accounts were disclaimed for 2022/23 and 2021/22. This means we have no assurance over opening balances or the prior year comparators in the 2023/24 accounts, 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>

2023/24 work and building back assurance

Audit planning procedures

Following the start of our appointment, we 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 2021/22, and the impact 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.

Audit procedures specific to 2023/24

Following the creation of the backstop dates, we anticipated disclaimed opinions being issued from the predecessor auditor and the likelihood that we would require to issue a disclaimed opinion in 2023/24. We then focussed our audit effort on the areas where we could carry assurance into future years, thereby allowing us to remove future disclaimed opinions as quickly as possible.

We also carried out the following procedures to provide a level of assurance specific to the 2023/24 financial statements:

- Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- Reviewing minutes of meetings of including, but not limited to, full Council, Executive Board and Resource Board
- Agreeing opening balances and comparative figures to prior year financial statements;
- 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;
- Evaluating any misstatements identified; and
- Drafting an Audit Plan and Audit Completion Report and presenting these to the Executive Board.

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2023/24 work and building back assurance

Audit procedures to help rebuild assurance in future years

LARRIG guidance issued by the NAO recognises that the process of rebuilding assurance following three years of disclaimed audit opinions will take several 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. We have begun assessing what work, carried out in 2023/24, can be used to inform the rebuilding process.

Where work was able to be completed 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.

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 to obtain information for use in rebuilding assurance include:

- Reviewing the Council's financial control environment,
- Reviewing and documenting some of key business processes and undertaking walk-through tests,
- Reviewing and testing IT General Controls,

Detailed substantive procedures in the following areas:

- Cash and cash equivalents – request confirmation from third parties
- Short-term and long-term borrowings – Obtain confirmation from PWLB in relation to loan balance
- Journals testing – We commenced the ingest process for our journal testing. This involved reconciling closing balances with the opening position and movements during the year.
- Field work request – Detailed requests for field work testing were issued.

Recovery plan

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. We are an active participant in a local audit group, led by the Financial Reporting Council and comprising representatives from all audit firms and the National Audit Office, which is aiming to develop an approach to rebuilding assurance that is achievable, complies with auditing standards, and can be applied consistently by all auditors across the sector.

We will use the output from this group, together with the information we have gathered in 2023/24, to develop a recovery plan, in conjunction with Council management, setting out the work required to return to unmodified opinions. We will present this to the Executive Board for review and oversight.

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">• Consultation by management with other accountants on accounting or auditing matters;• Matters significant to the oversight of the financial reporting process;• Adjustments / transactions identified as having been made to meet an agreed budget.	<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">• Significant management judgements where there was disagreement over the judgement;• Consistency of opening balances with prior year financial statements;• Inconsistencies between the financial statements and trial balance;• Findings and issues around the material accuracy of opening balances;• Any other matters significant to your oversight of the financial reporting process.	<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
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Executive Board and reflected this in our audit plan. We have not subsequently been made aware of any 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.
Matters in relation to related parties	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.	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.
Matters in relation to compliance with laws and regulations	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.
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.

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Financial statements: other responsibilities

Matter	Commentary	Outcome
Confirmation requests from third parties	<p>We requested permission from the Council to send confirmation requests to third parties where cash and investments are held.</p> <p>All requested confirmations have been received.</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.
Going concern	<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>

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Financial statements: other responsibilities

Matter	Commentary	Outcome
Other information included in the Financial Statements: Narrative Report and Annual Governance Statement	<p>Under the Code of Audit Practice 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>	We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.
Other matters on which we report by exception	<p>We are also required to report by exception:</p> <ul style="list-style-type: none"> • If we have applied any of our statutory powers or duties • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weakness 	We have concluded there is an on-going significant weakness in governance arrangements relating to the publication of the annual financial statements. Further detail is set out in the Value for Money section of this report.
Specified procedures for the Whole of Government Accounts (WGA)	<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>	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.
Certification of closure of the audit	We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.	We cannot issue our certificate of closure until the NAO have confirmed whether any additional testing is required for Whole of Government Accounts.

Audit adjustments

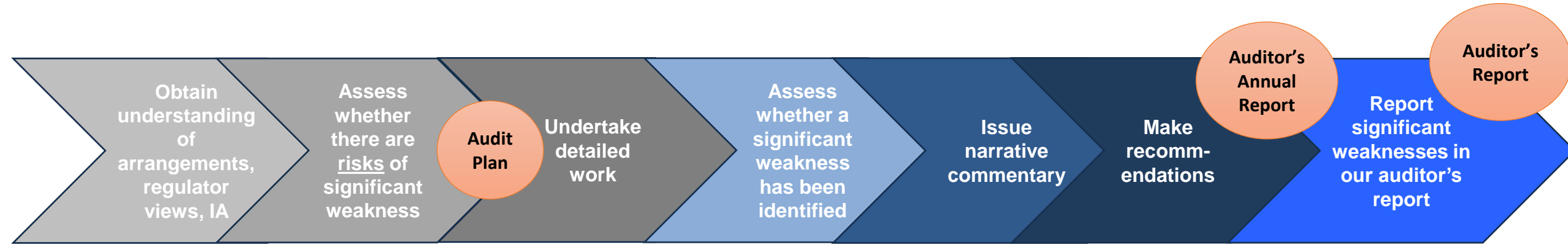
Misclassification and disclosure changes

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

Disclosure change	Auditor recommendation	Adjustment agreed Y/N?
Minor presentational, formatting and disclosure issues We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts i.e note reference in HRA statement were incorrect	Management should consider adjusting the financial statements for the 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. At that time we did not identify any risks of significant weakness but we reported that this was subject to reviewing the work to be undertaken by the predecessor auditor for 2021/22 and 2022/23.

The predecessor auditor has now reported their work for 2021/22 and 2022/23 and has reported one significant weakness in respect of governance arrangements. 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, we have repeated the significant weaknesses identified by the predecessor auditor as the issue continued into 2023/24. We have made key recommendations in respect of this weakness on page 23.

Value for money 2023/24 summary

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

Value for money – significant weakness

The significant weaknesses we identified, and our associated key recommendations, are set out in the table below.

Reporting criteria	Significant weakness identified	Key recommendations made	Management Response
Governance How the body ensures it makes informed decisions and properly manages risk	<p>Due to capacity constraints in the finance team, management have failed to prepare the Council's financial statements / annual reports and supporting documents on a timely basis which is in breach of the Accounts and Audit regulations 2015, specifically involving preparation of accounts and requirements for public inspection.</p> <p>Delays in previous years have impacted the preparation and publication of financial statements for the following years. The draft 2021/22 financial statements were published on 3rd July 2024; the draft 2022/23 financial statements were published on 4th September 2024 and the draft statements for 2023/24 were only published on 23rd December 2024. The statutory deadline for publishing unaudited financial statements was 31 May 2024.</p>	<p>The Council should address the reasons for these delays and ensure that there is a suitably resourced finance team who can ensure that all statutory requirements regarding financial reporting are met.</p> <p>Further to the above, management should create and implement a close-down timetable for the preparation and publication of the accounts and report progress to the Executive Board for monitoring and review.</p>	<p>There were delays in completing the Closure of accounts for 2021/22 and 2022/23 and working with the auditors to agree a plan for the audit/disclaimer. This impacted significantly on the timescales for the 2023/24 closedown process and the available resources to work on preparation and dealing with auditor queries, which is an issue with capacity when you have a small team. In addition to this the finance service had vacancies and long term sickness which contributed to the capacity issues. An interim was appointed to assist with the accounts but due to the lack of functionality on the old finance system a lot of the work is on paper or spreadsheets which made it difficult to pick up quickly. To address these issues the Council has approval for a Senior Management (Restructure) and this will appoint a permanent Corporate Director of Resources and S151 Officer along with an Assistant Director for Finance and Deputy S151 officer, along with this the finance service will be restructured to ensure the correct capacity and skills are in place for the future needs. In addition from 1st April 2024 the council has a new finance system Unit 4 and the intention is to use this system to create the Statement of accounts as far as possible, making it more efficient and easier for others to pick up if required. These changes will all take time to implement but will ensure that the finance service has the tools and capacity to complete the closure of accounts and production of the statement of Accounts by the statutory deadlines in the future. A Closedown timetable is already produced for officers to ensure the process is monitored closely and weekly meetings are held with key officers, but a report could also be presented to members of Executive with the closedown timetable and key milestones.</p>

Independence and ethics

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

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

In particular:

- **Non-audit services:** There are no non-audit services provided for the Council
- **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.

Appendix I: Internal control recommendations

We set out here the recommendations we have identified during our audit. The matters reported here are limited to deficiencies which we feel are of sufficient importance to merit reporting to you. Recommendations arising from our value for money work are reported on page 23 and in our Auditor's Annual Report.

Assessment	Issue	Recommendation	Management response
Red	<p>Cyber threats assessment North Warwickshire Borough Council does not proactively perform sufficient and appropriate risk assessment of suppliers and third parties to identify cyber threats.</p> <p>Risk Should the Council fail to adequately assess the security of suppliers and third-parties, there is a risk of increased exposure to threats through the supply chain. As the Council may fail to identify and mitigate vulnerabilities in its supply chain, there is a risk of data breaches, cyber attacks or service disruptions impacting upon the Council's ability to operate.</p>	The Council should implement a process by which suppliers and third parties are subject to risk assessment both at initial procurement and throughout their contract. This assessment should be based on a pre-defined set of requirements set by the organisation to form a baseline maturity which third-parties must meet. Periodic reassessment of suppliers should be undertaken at contract renewal, in response to any significant changes, and using a risk-based approach which considers the criticality to the organisation.	Management partially accept the findings on the basis that contracts are generally awarded via a framework for new suppliers.
Amber	<p>Risk management approach North Warwickshire Borough Council has limited, weak or outdated documentation setting out their approach to risk management and recording risks to the organisation. This includes failure to suitably document the overall risk management approach of the organisation, lack of detail in the recording of risks, and limited detail within cyber action planning.</p> <p>Risk Without documented approaches to managing risk which include the need for suitable recording of risks and planned actions, there is a risk of ineffective or inconsistent risk management and ineffective implementation of mitigating actions or cyber security improvements. This may, in turn, lead to the organisation being exposed to cyber threats.</p>	The Council should ensure documented approaches to risk management are in place, including setting out how risks should be managed in line with defined risk appetite and requirements for the capturing and monitoring of risks. Approaches should link clearly to organisation objectives and strategy, and actions should be identified using a risk-based approach to ensure they are achievable and provide value to the Council.	Management accepted and raised internally for discussion.

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	<p>Cyber and information security responsibilities and requirements</p> <p>North Warwickshire Borough Council has limited, weak or outdated documentation setting out cyber and information security responsibilities and requirements, both for day-to-day operational use and senior and executive management. This includes reduced oversight of cyber and information security due to infrequent discussion of relevant issues.</p> <p>Risk</p> <p>Without up-to-date, approved and complete documentation setting out the cyber and information security responsibilities of staff and the roles and responsibilities of those in related roles, there is a risk that employees may be unaware of their responsibilities. Further, infrequent reporting and oversight may present a risk that the organisation is unable to align cyber security efforts with organisational priorities.</p>	<p>North Warwickshire Borough Council should ensure that cyber and information security roles are assigned and documented within policy, which itself should be reviewed and updated on a regular basis to remain current and effective. Requirements for reporting should also be documented, and the Council should ensure that reporting is provided regularly to a suitable level of management.</p>	<p>Agreed with management</p>
Amber	<p>Cyber and IG Fundamentals Course</p> <p>North Warwickshire Borough Council required staff to complete a mandatory Cyber and IG Fundamentals Course in 2023. A course update was reported to have affected course completion statistics and, as such, the 2023 training has a completion rate of 26%. It is unknown what the true completion rate was for the training course.</p> <p>Risk</p> <p>If staff are not subject to cyber security training, with this monitored for completion, there is a risk of the organisation having an increased vulnerability to cyber threats as employees may lack the necessary knowledge to recognise and respond appropriately to security risks.</p>	<p>North Warwickshire Borough Council should implement a process to ensure the completion of training, e.g., by escalating to line managers and via email reminders. Non-completion rates should be reported on and communicated to relevant personnel, e.g., at Management Team meetings.</p>	<p>Partially accepted, completion in excess of 50%, however the supplier changes reporting and unfortunately reset the completion % and lost history.</p>

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	Record of digital, electronic and information assets North Warwickshire Borough Council has not recorded those digital, electronic and information assets which are material or high risk in nature in a manner which takes into account their data classification, criticality, business value or risk level.	North Warwickshire Borough Council should undertake work to identify the assets which are of a material or high risk nature to the organisation, documenting these in a suitable asset register which records their owner, location, risk level, data classification, criticality, business value and security controls at a minimum.	Agreed with management
	Risk Without identifying and recording information assets, there is a risk that the organisation is unable to effectively protect and prioritise high-risk information assets. This could lead to potential data breaches, loss of critical information, or inadequate response to threats.		
Amber	Tools for the detection and alerting of cyber threats North Warwickshire Borough Council utilises some tools for the detection and alerting of cyber threats. However, there is no Intrusion Detection System (IDS) or Intrusion Prevention System (IPS) in place, meaning they may be unable to react to, investigate, and prevent threats in a timely manner.	North Warwickshire Borough Council should consider implementing further automated tools and processes for the detection and alerting of anomalous cyber activity. This may include, for example, Intrusion Detection/Prevention Systems to monitor and defend against potential cyber threats in real time. This offers an additional layer of defence against cyber attacks.	Agreed with management
	Risk Without intrusion detection or prevention systems, there is a risk that the organisation may fail to identify and block malicious activities in real time. This could lead to data breaches or system compromises.		

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	<p>Regularly review and update Corporate Services Major Incident Procedures</p> <p>North Warwickshire Borough Council does not regularly review and update their Corporate Services Major Incident Procedures, nor is any testing of cyber incident response planning undertaken.</p> <p>Risk</p> <p>Without up-to-date, approved and tested incident response plans in place, there is a risk that planning may not reflect current threats, technologies, or organisational practices, and that plans may be ineffective or inefficient for the context in which they are supposed to be used. This may lead to delays or inadequate response during a live incident.</p>	<p>North Warwickshire Borough Council should establish a regular review and update process for incident response planning, and encompass in this the need for regular testing and exercising of plans. Plans should be subject to regular testing of differing types (e.g., desktop scenarios and simulations) and should be documented in such a way that lessons learned can be used to further update planning going forward.</p>	<p>Agreed with management and this is on the work plan for this year</p>
Amber	<p>Shared system administrator account</p> <p>There is a shared system administrator account in Total. We were not able to obtain evidence of who had access to this account and how it was monitored.</p> <p>Risk</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>	<p>We recommend that accounts are unique and identifiable to individual users. Where shared accounts are in use, those who have access to the account should be documented and reviewed regularly. Activities of these accounts should be regularly monitored.</p>	<p>Partially accepted, although the Council view as low risk as we are only using Total for 'view' only. The administrator logon was set-up for allowing Consillium remote access to the system for any system issues.</p>

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	User access User access reviews are not undertaken within the organisation..	We recommend conducting regular user reviews to ensure that access is appropriate and on a least-privilege basis.	Partially accepted, although the Council view as low risk. User access will be limited as Total will only be use for historical 'view' only for any live processing etc.
	Risk A lack of periodic review of user access could result in inappropriate, excessive or unauthorised access being available to users/leavers.		
Green	Privileged access There is no monitoring or reporting of privileged access in Total to ensure appropriate administration access is given.	We recommend that a review of users with privileged access is undertaken to ensure accounts do not have excessive privileges in the finance system.	Partially accepted, although the Council view this as low risk. The Total system has been replaced from 1st April 2024 with Unit 4 for purchasing, general ledger, accounts payable and accounts receivable. Access will only be required to the database for 'view' only which limits risk and functionality.
	Risk Excessive privileges/administrator rights increases the likelihood that IT general controls can be changed, suppressed or circumvented thus reducing the consistency of the control operation (this access could be to data files, database tables, configuration, job schedules, batch routines and/or system generated reports.		

Follow up of prior year recommendations

As part of our audit, we follow up on control weaknesses and recommendations raised in last year's report from your predecessor auditor.

There were no internal control deficiencies raised by the predecessor auditor.

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, 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 financial statements (as set out in the fee scales issued by PSAA)	130,816	130,816
New auditing standards: ISA315 and ISA240	19,622	19,622
Total before impact of disclaimed opinions	150,439	150,439
Additional work arising from current and prior year disclaimers of opinion (note 1)	TBC	15,000
Additional work in respect of future 'build back' activity (note 2)	TBC	0
Total audit fee	150,439	165,439

Note 1: This includes additional work required to consider the disclaimed audits from prior years, develop a revised audit approach in response to the missing assurance, develop a revised 'Audit Completion Report' for reporting the additional considerations arising from the disclaimers, drafting 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.

Appendix II: Fees

The audit fees in the previous table reconcile to the fees disclosed in the financial statements as follows:

Fees per financial statements	£131,000
New auditing standards: ISA315 and ISA240 – <i>Note 1</i>	<u>£19,439</u>
<i>Total fee per table on previous page</i>	£150,439
<i>Additional work arising from current and prior year disclaimers</i>	<u>£15,000</u>
Total	£165,439
 Total fees per fee table on previous page	 £165,439

Note 1
In the audit plan we included the fee for the application of New auditing standards: ISA315 and ISA240. This has been built up as part of planning risk assessment including ITGC work performed.

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.



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