

Chichester District Council Audit results report

Year ended 31 March 2024

January 2025





Chichester District Council
East Pallant House,
1 East Pallant,
Chichester,
West Sussex.
PO19 1TY

10 January 2025

Dear Corporate Governance & Audit Committee Members

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Corporate Governance & Audit Committee. We will update the Corporate Governance & Audit Committee at its meeting scheduled for 20 January 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Chichester District Council (the Council) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Corporate Governance & Audit Committee, as the (Council's) body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Corporate Governance & Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our December 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

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Contents

01 Executive Summary



02 Areas of Audit Focus



03 Value for Money



04 Audit Differences



05 Other Reporting Issues



06 Independence



07 Appendices


Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01 Executive Summary



Executive Summary – Context for the audit

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. 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 there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, 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 cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our December 2024 Audit Completion Report to the Corporate Governance & Audit Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.



Executive Summary

Scope update

In our Audit Planning Report presented at the 7 March 2024 Corporate Governance & Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. [We carried out our audit in accordance with this plan, with the following exceptions]:

- ▶ Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.53 million. This was based on prior year gross expenditure on provision of services. We have now calculated this using year end figures and our revised materiality level is £1.593 million. The basis of our assessment has remained consistent at 2% of gross expenditure on provision of services. This results in updated performance materiality, at 75% of overall materiality, of £1.195 million, and an updated threshold for reporting misstatements of £79.6k.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Complete final review of audit procedures;
- ▶ Completion of those procedures required by the National Audit Office (NAO) on the Whole of Government Accounts;
- ▶ Receipt and review of a signed Letter of Management Representations;
- ▶ Receipt and review of the final version of the financial statements; and,
- ▶ Completion of independence and subsequent events procedures up to the date of our report.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.

Value for Money

In our Audit Planning Report dated 7 March 2024, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures in these areas we did/did not identify a significant weakness. See Section 04 of the report for further details.

Audit differences

The Council produced the financial statements to a good standard. As this point, we have identified the following audit differences we are required to report to you as follows:

- ▶ A judgmental misstatement of £293k which represents the variance between our expected valuation range for one asset (Unit 4B, Terminus Road) of the Council's Investment Property and the actual valuation of that asset included within the financial statements.
- ▶ A projected misstatement of £453k arising due to the capitalization of improvements and works relating to an intangible asset which had been incorrectly disclosed within Property, Plant & Equipment balances. As a projected misstatement, we would not expect management to correct this misstatement.



Executive Summary (cont'd)

Audit differences (continued)

- ▶ We identified a misstatement of £109k within Property, Plant & Equipment which represented assets that were demolished as part of the St James Industrial park redevelopment but not removed from the FAR or financial statements. This has been adjusted in the final version of the financial statements.
- ▶ We identified an overstatement of the Council's bad debt provision by 104k, which had been based on a historic approach. The Council intends to update their methodology in the next financial year.
- ▶ We identified an overstatement of Capital Investments during the year of £111k. This has been updated in the final version of the financial statements.
- ▶ We identified assets relating to CCTV and St James industrial units with a total value of £48,740 which were included on the Council's Balance Sheet but were no longer in existence. We extrapolated this misstatement over the untested population of assets to produce a projected misstatement suggesting the value of Property Plant and Equipment (and associated accumulated depreciation) was overstated by £2.1m.
- ▶ We identified a difference relating to the Council's IAS 19 pension balances and disclosures, whereby due to the final valuation report for the Pension Fund assets being delayed, there is a difference between the year-end asset valuation in the Actuary's IAS 19 report and the valuation considered appropriate by our own internal experts. This difference totals £840k and has not been corrected in the final version of the financial statements.
- ▶ Our expenditure testing identified accrued expenditure totaling £190k which related to the 2024/25 period. This has been corrected in the final version of the financial statements.

We also identified a number of disclosure errors which have been corrected by management.

Other Reporting Issues

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.

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of Chichester District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Risk/area of focus	Risk identified	What are our findings?
Misstatement due to fraud or error	Fraud risk	We have completed our planned procedures in respect of this fraud risk. We have not identified evidence of material misstatement due to fraud or error.
Inappropriate capitalisation of revenue expenditure	Fraud Risk	We have completed our audit procedures in respect of PPE additions and Revenue Expenditure Funded from Capital Under Statute. We identified no evidence of material misstatement due to incorrect capitalisation of revenue expenditure.
Pension liability valuation	Inherent risk	<p>We have completed our audit procedures in respect of this inherent risk. We identified a difference relating to the Council's IAS 19 pension balances and disclosures, whereby due to the final valuation report for the Pension Fund assets being delayed, there is a difference between the year-end asset valuation in the Actuary's IAS 19 report and the valuation considered appropriate by our own internal experts. This difference totals £840k and has not been corrected in the final version of the financial statements.</p> <p>Following the correction of the above item, we are satisfied that the valuation of the Council's disclosures in respect of the Pension Asset Valuation are materially accurate.</p>
Property, Plant & Equipment (PPE) and Investment Property (IP) Valuation (inherent risk)	Inherent risk	We have tested a sample of Property, Plant and Equipment and Investment Property assets. We identified that the valuation of one investment property asset tested was outside our expected range and therefore overstated by £293k. As a judgmental misstatement, this has not been corrected within the financial statements.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Corporate Governance & Audit Committee.



Executive Summary (cont'd)

Control observations

The calculation of the Council's NDR appeals provision has followed the same methodology and assumptions for 2023/24 as previous years. The Council will need to ensure that for 2024/25, the appeals provision pulls on current information to inform judgements and assumptions in order to ensure the estimate is as accurate as possible.

Our testing of Land and Building valuations identified 5 assets (2 DRC and 3 EUV) which should have been revalued in accordance with the Councils rolling plan but were omitted in error. The Council needs to ensure that they obtain revaluation of all assets in line with their rolling plan to ensure compliance with the Code of Practice for Local Authority Accounting.

Independence


We have no matters to report in respect of our independence. Please refer to Section 06 for our update on Independence.

A background image showing a close-up of a person's hand holding a silver pen, pointing at a tablet screen. The screen displays a bar chart with several bars of varying heights and colors (green, yellow, orange, red). The person is wearing a blue patterned shirt and a dark tie.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error*

 Significant Risk

What is the risk, and the key judgements and estimates?

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

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

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

What are our conclusions

We have completed our planned procedures in respect of this fraud risk. We have not identified evidence of material misstatement due to fraud or error.

Our testing of key accounting estimates and judgements tested to date did not identify any evidence of management bias.

Our response to the key areas of challenge and professional judgement

In response to this risk, we:


- ▶ Identified fraud risks during the planning stages of our audit;
- ▶ Made inquiries of management about risks of fraud and the controls put in place to address those risks;
- ▶ Obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Discussed with those charged with governance the risks of fraud in the entity;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determined an appropriate strategy to address those identified risks of fraud;
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- ▶ Undertook procedures to identify significant unusual transactions and concluded there was no evidence of material misstatement due to fraud or error arising from them;
- ▶ Considered whether management bias was present in the key accounting estimates and judgments in the financial statements. None evidence of bias was identified.

What else did we do?

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required, as set out in our Audit Planning Report.

Areas of Audit Focus

Inappropriate capitalisation of revenue expenditure*

 Significant Risk

What is the risk, and the key judgements and estimates?

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What are our conclusions

We concluded that there was no evidence of material misstatement arising from the sample of PPE and IP additions or additions and Revenue Expenditure Funded from Capital Under Statute recorded within the financial statements. However, we did identify a projected misstatement of £453k arising due to the capitalization of improvements and works relating to an intangible asset which had been incorrectly disclosed within Property, Plant & Equipment balances.

Our response to the key areas of challenge and professional judgement

In response to this risk, we:

- ▶ Tested a sample of Property, Plant and Equipment (PPE) and Investment Property (IP) additions to ensure that the expenditure incurred and capitalised was capital in nature.
- ▶ Confirmed that the capitalised spend enhanced or extended the useful life of the asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Tested any development or other related costs that had been capitalised to ensure they were reasonable to capitalise i.e. the costs incurred are directly attributable to brought the asset into operational use.
- ▶ Are in the process of concluding our Revenue Expenditure Funded from Capital Under Statute (REFCUS) testing but have no matters to report based on the testing undertaken to date.
- ▶ Confirmed that there were no journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year which were not considered as part of our testing above.

Areas of Audit Focus (cont'd)

What is the risk/area of focus?	What did we do?
<p>Pension Liability Valuation (inherent risk)</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.</p> <p>The Council's pension fund asset/deficit is a material estimated balance and the Code requires that this asset/liability be disclosed on the Council's balance sheet. At 31 March 2024 the net pension asset totalled £4.305m (22/23 £73.5m).</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In response to this area of focus, we:</p> <ul style="list-style-type: none"> • Liaised with the auditors of West Sussex Pension Fund and obtained assurances over the information supplied to the actuary in relation to the Council; • Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and assessed the findings of reviews by the EY actuarial team; • Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>Conclusion:</p> <p>We have completed our audit procedures in respect of this inherent risk. We identified a difference relating to the Councils IAS 19 pension balances and disclosures, whereby due to the final valuation report for the Pension Fund assets being delayed, there is a difference between the year-end asset valuation in the Actuary's IAS 19 report and the valuation considered appropriate by our own internal experts of £840k.</p> <p>We are satisfied that the valuation of the Council's disclosures in respect of the Pension Asset Valuation are materially accurate.</p>

Areas of Audit Focus (cont'd)

What is the risk/area of focus?	What did we do?
<p>Property, Plant & Equipment (PPE) and Investment Property (IP) Valuation (inherent risk)</p> <p>The fair value of Property, Plant and Equipment (PPE) land and buildings and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting. The Council's IP and surplus property is subject to annual revaluation, while its operational PPE is valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.</p>	<p>In response to this area of focus, we:</p> <ul style="list-style-type: none"> • Concluded that the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work were appropriate for the Council to obtain materially accurate valuations of the land and buildings. • Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre). • Reviewed the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for PPE. We noted specific changes to assets that have occurred and had not been communicated to the valuer. We also confirmed IP had been revalued annually. • Reviewed assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated. • Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation. • Tested accounting entries and confirmed they have been correctly processed in the financial statements. <p>Conclusion:</p> <p>We have tested a sample of Property, Plant and Equipment and Investment Property assets. We identified an overstatement of revaluation gains on land and buildings totaling £966k, where an asset had been derecognized in year. This has been corrected within the final version of the financial statements.</p> <p>We also identified that the valuation of one investment property asset tested was outside our expected range and therefore overstated by £293k. As a judgmental misstatement, this has not been corrected within the financial statements.</p>



03 Value for Money

Value for Money

The Authority's responsibilities for value for money (VFM)

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

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

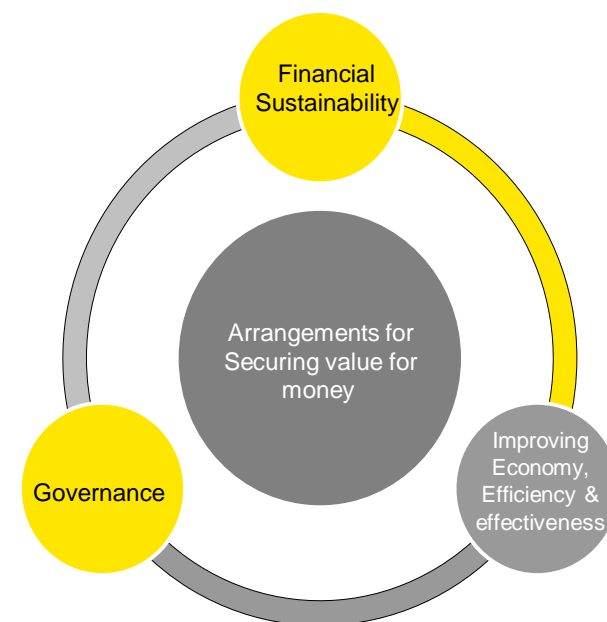
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements.

We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report.





04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

We highlight the following misstatements greater than £79.6k which have been identified during the course of our audit:

- ▶ A judgmental misstatement of £293k which represents the variance between our expected valuation range for one asset (Unit 4B, Terminus Road) of the Council's Investment Property and the actual valuation of that asset included within the financial statements.
- ▶ A projected misstatement of £453k arising due to the capitalization of improvements and works relating to an intangible asset which had been incorrectly disclosed within Property, Plant & Equipment balances. As a projected misstatement, we would not expect management to correct this misstatement.
- ▶ We identified a misstatement of £109k within Property, Plant & Equipment which represented assets that were demolished as part of the St James Industrial park redevelopment but not removed from the FAR or financial statements. This has been updated in the final version of the financial statements.
- ▶ We identified an overstatement of the Council's bad debt provision by 104k, which had been based on a historic approach. The Council intends to update their methodology in the next financial year.
- ▶ We identified an overstatement of Capital Investments during the year of £111k. This has been updated in the final version of the financial statements.
- ▶ We identified assets relating to CCTV and St James industrial units with a total value of £48,740 which were included on the Council's Balance Sheet but were no longer in existence. We extrapolated this misstatement over the untested population of assets to produce a projected misstatement suggesting the value of Property Plant and Equipment (and associated accumulated depreciation) was overstated by £2.1m.
- ▶ We identified a difference relating to the Council's IAS 19 pension balances and disclosures, whereby due to the final valuation report for the Pension Fund assets being delayed, there is a difference between the year-end asset valuation in the Actuary's IAS 19 report and the valuation considered appropriate by our own internal experts. This difference totals £840k.
- ▶ Our expenditure testing identified accrued expenditure totaling £190k which related to the 2024/25 period. This has been updated in the final version of the financial statements.

Audit Differences (cont'd)

Summary of adjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Corporate Governance & Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Corporate Governance & Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 2023/24 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	Equity Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Projected differences:						
► Understatement identified within our sample testing for Grants Credited to the Net Cost of Services	-	(100)	100	-	-	-
Judgmental Differences:	-	(100)	100	-	-	-
• Overstatement of Bad Debt Provision		104	(104)			
• Unit 4B, Terminus Road valuation difference	293		(293)			
• IAS 19 asset valuation difference	840				(840)	
Balance sheet totals	1,133	(96)	(197)		(840)	
Income effect of uncorrected misstatements (before tax)	-	-	-	-	-	-
Turnaround effect. See Note 1 below.	-	-	-	-	-	-
Cumulative effect of uncorrected misstatements, after turnaround effect	1,133	(96)	(197)	-	(840)	-

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2024.

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period.



05

Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Chichester District Council Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Chichester District Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) 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 (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest/issue statutory recommendations under Schedule 7.

Other Reporting Issues (cont'd)

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and

We have no other matters to report.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
<p>We performed the following procedures:</p> <ul style="list-style-type: none">➤ We obtained an understanding of the IT processes related to the IT applications of the Council.➤ We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy. None were identified.➤ We had no areas where we had identified controls relevant to the audit that were application controls or IT-dependent manual controls where we did not gain assurance substantively.➤ We reviewed the following processes for all relevant IT applications:<ul style="list-style-type: none">▪ Manage vendor supplied changes▪ Manage security settings▪ Manage user access▪ Manage entity-programmed changes▪ Job scheduling and managing IT process	<p>We were able to obtain an appropriate understanding of those IT processes and procedures related to the Council's IT applications to support our work in respect of ISA315. We were satisfied that there were no typical controls missing of control deficiencies impacting our audit, noting that we undertook a fully substantive audit approach and did not test or place reliance on these controls.</p>



06

Independence

Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence - Fees

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

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

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year (2023/24)	Prior Year (2022/23)
	£	£
Total Fee – Code Work	£143,820	TBC Note 1
Total audit	0	TBC
Other non-audit services not covered above - Housing Benefit Certification	TBC	TBC
Proposed scale fee variation	Note 2	TBC
Total other non-audit services	0	0
Total fees	£143,820	TBC

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(2) A scale fee variation will be charged in respect of ISA315 and IFRS16, both of which are new standards which required additional work beyond the scope of the scale fee. We will route this fee through the agreed process with the PSAA in due course.

We are not expecting to request any further scale fee variations either in respect of delays or overruns.



07

Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 5 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment	Partial	We have completed our planned work in this area for 2023/24, but we do not have full assurance over the PPE closing balance, due to the disclaimed opinion for 2022/23 meaning we did not test material movements in the fixed asset register for additions, disposals, revaluation and depreciation in that year. We will begin procedures for the rebuilding of assurance in 2024/25.
Investment Property	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Heritage Assets	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Short and Long Term Investments	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Short & Long Term Debtors	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Cash and cash equivalents	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Short Term Creditors	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Long-term Creditors (Section 106 Contributions)	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Provisions	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Pension Scheme Assets/Liability	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion. We also requested EY expert roll-forward procedures for the IAS 19 pension liability/asset to cover 22/23.
Grants Received in Advance	Partial	This balance is immaterial in 2023/24 and therefore limited audit procedures were completed. However, the balance was not immaterial in 2022/23, and no testing has been undertaken on this balance.
Collection Fund	Partial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion. However, included within the Collection Fund is the NDR and Council Tax surplus/deficit for the year. This is based upon the surplus/deficit for 2022/23, over which we do not have assurance.
NNDR Appeals Provision	Substantial	We have tested this balance as part of our 2023/24 audit and noted a control deficiency relating to the assumptions and judgements the Council have used within the calculation of the provision, which have not been updated since the prior year. This does not have a material impact upon the estimate.

Appendix A – Summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating	Summary of work performed
Cost of service income and expenditure	Partial	We have completed all planned sample testing in this area but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements in the Comprehensive Income and Expenditure Statement.
Payroll Expenditure	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Parish Council Precepts	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Interest Receivable & Similar Income	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Income and expenditure in relation to investment properties and changes	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Changes in the FV of Investments	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Council Tax and NNDR Income and Expenditure	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Capital Grants and Contributions	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Non-Ringfenced Government Grants	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
All Other Disclosures	Substantial	We have completed our planned work in this area for 2023/24 and obtained sufficient assurance to support our audit opinion.
Reserves	None	We have tested all reserves movements arising from 2023/24 transactions but, as we do not have assurance over movements in reserves across the disclaimed period, we do not have assurance over reserve balances at 31 March 2024

Appendix B - Required communications with the Corporate Governance & Audit Committee

Required communications with the Corporate Governance & Audit Committee

There are certain communications that we must provide to the Corporate Governance & Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Corporate Governance & Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report dated March 2024
Planning and audit approach	Communication of: <ul style="list-style-type: none">• The planned scope and timing of the audit• Any limitations on the planned work to be undertaken• The planned use of internal audit• The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report dated March 2024
Significant findings from the audit	<ul style="list-style-type: none">• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures• Significant difficulties, if any, encountered during the audit• Significant matters, if any, arising from the audit that were discussed with management• Written representations that we are seeking• Expected modifications to the audit report• Other matters if any, significant to the oversight of the financial reporting process	Interim Audit Results Report dated October 2024 This Audit Results Report – January 2025

Appendix B - Required communications with the Corporate Governance & Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> Whether the events or conditions constitute a material uncertainty related to going concern Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The appropriateness of related disclosures in the financial statements 	<p>Interim Audit Results Report dated October 2024</p> <p>This Audit Results Report – January 2025</p>
Misstatements	<ul style="list-style-type: none"> Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Material misstatements corrected by management 	<p>Interim Audit Results Report dated October 2024</p> <p>This Audit Results Report – January 2025</p>
Fraud	<ul style="list-style-type: none"> Enquiries of the Corporate Governance & Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected 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 Any other matters related to fraud, relevant to Corporate Governance & Audit Committee responsibility. 	<p>Interim Audit Results Report dated October 2024</p> <p>This Audit Results Report – January 2025</p>

Appendix B - Required communications with the Corporate Governance & Audit Committee (cont'd)

Our Reporting to you		
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none">• Non-disclosure by management• Inappropriate authorisation and approval of transactions• Disagreement over disclosures• Non-compliance with laws and regulations• Difficulty in identifying the party that ultimately controls the entity	<p>Interim Audit Results Report dated October 2024</p> <p>This Audit Results Report – January 2025</p>

Appendix B - Required communications with the Corporate Governance & Audit Committee (cont'd)

Our Reporting to you		
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence • Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. • Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided. • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Corporate Governance & Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Interim Audit Results Report dated October 2024</p> <p>This Audit Results Report – January 2025</p>

Appendix B - Required communications with the Corporate Governance & Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Interim Audit Results Report dated October 2024 This Audit Results Report – January 2025
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Corporate Governance & Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Corporate Governance & Audit Committee may be aware of 	Interim Audit Results Report dated October 2024 This Audit Results Report – January 2025
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Interim Audit Results Report October 2024 This Audit Results Report – January 2025
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	To be included in Final Audit Results Report. This Audit Results Report – January 2025

Appendix B - Required communications with the Corporate Governance & Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
System of quality management	<ul style="list-style-type: none">How the system of quality management (SQM) supports the consistent performance of a quality audit	Interim Audit Results Report dated October 2024 This Audit Results Report – January 2025
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none">Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Interim Audit Results Report dated October 2024 This Audit Results Report – January 2025
Auditors report	<ul style="list-style-type: none">Key audit matters that we will include in our auditor's reportAny circumstances identified that affect the form and content of our auditor's report	To be included in final Audit Results Report. This Audit Results Report – January 2025

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