

12 November 2024

To Audit and Accounts Chair
Stafford Borough Council
Audit and Accounts Committee
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Dear Councillor Dodson

Stafford Borough Council: Conclusion of the audits for 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 the government published the Accounts and Audit (Amendment) Regulations 2024. These Regulations, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which is expected to be approved by 14 November, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Deputy Chief Executive - Resources, and for reasons which I set out in more detail below, it will not be possible for us to complete our audits for 2021/22 and 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach draft copies of this disclaimer for the attention of the Audit and Accounts Committee.

We are required under Auditing Standards to report certain matters to the Audit and Accounts Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audits for 2021/22 and 2022/23 – Disclaimer of the opinion on the financial statements

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Reports for your information.

The Accounts and Audit Regulations 2015 required the Authority to make its financial statements for the year ended 31 March 2022 and 31 March 2023 available for public inspection by the first working day in June 2022 and June 2023 respectively. However, the Authority did not make these financial statements available for public inspection until 17 October 2024. As a result, we did not have enough time before 13 December 2024 to obtain sufficient appropriate audit evidence to conclude that these financial statements as a whole are free from material misstatement.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice

We undertook our Value for Money work and reported in February 2024 and have reported the outcome in our Annual Audit Report presented to full Council on 27 February 2024. The key findings include that:

Chartered Accountants

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- Two significant weaknesses in financial sustainability with one key recommendation in relation to developing a corporate savings and transformation program and improving financial planning and monitoring
- Three significant weaknesses in governance with two key recommendations in relation to internal controls relating to ICT, addressing internal fraud controls and improved budget setting
- One significant weakness in economy efficiency and effectiveness with one key recommendation in relation to performance reporting

Statutory powers or duties

We are also required to report by exception if we have applied any of our statutory powers or duties.

We wish to highlight the following information for your attention.

In February 2024 we issued a statutory recommendation to the Council in relation to:

- The Council needs to improve its financial planning and financial monitoring arrangements by:
 - ensuring it has adequate capacity in its finance team and ensure that budget holders receive formal financial monitoring reports during the year
 - putting in place a MFTS built on robust modelling and assumptions and an updated Capital Strategy that complies with the revised Prudential Code
 - producing draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively.

Independence

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Management letter of representation

We have asked management to provide letters of representation in respect of the financial statements covering 2021/22 and 2022/23.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. It is our expectation that the incoming auditors will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as they seek to rebuild audit assurance.

Yours sincerely

Avtar Sohal

For Grant Thornton UK LLP

CC: Deputy Chief Executive - Resources

Attachments: Draft Disclaimer of Opinion 2021/22

Draft Disclaimer of Opinion 2022/23

Letter of representation 2021/22

Letter of representation 2022/23

Appendix

Responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Stafford Borough Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Accounts Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Accounts Committee of its responsibilities. It is the responsibility of the authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

Audit Plan

Due to the timing of the production of the 2021/22 and 2022/23 financial statements, we were unable to issue an audit plan in respect of these audit years.

We do note that the Council implemented a new general ledger system in 2021/22. Refer to the IT Audit Findings Report for details on recommendations made to the Council.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Due to the timing of the production of the financial statements, we were unable to determine a materiality level for 2021/22 and 2022/23.

Key financial reporting and audit issues identified during the audit

As we have not completed and undertaken any detailed work in respect of the 2021/22 and 2022/23 financial statements audits respectively, there are no issues we need to draw to your attention.

We note that the Council implemented a new general ledger system in 2021/22. Refer to the IT Audit Findings Report for details on recommendations made to the Council.

Going Concern

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 and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Audit fees and non audit fees

PSAA set the following scale fees:

2021/22 audit – £43,186
 2022/23 audit – £47,687

Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged.
 We have also undertaken the following non audit work.

	2021/22	2022/23
Housing Benefits Return	£30,000	TBC

The fees do not reconcile to the financial statements. Where they do not, we have provided a reconciliation

	2021/22	2022/23
Audit fees per financial statements	£64,685	£76,788
Fee variation included in 2022/23 fee	(£21,499)	(£29,101)
PSAA base fee	£43,186	£47,687
	2021/22	2022/23
Grant certification fees	£17,500	£17,500
Under accrual as based on final fee note	£12,500	TBC
Grant fee	£30,000	TBC

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total fee for the audits as detailed above and in particular relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

Independent auditor's report to the members of Stafford Borough Council

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Stafford Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Deputy Chief Executive – Resources (S151) responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 13 February 2024 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial planning and monitoring. We recommended that the Authority should:

- ensure it has adequate capacity in its finance team and ensure that budget holders receive formal financial monitoring reports during the year
- put in place a Medium-Term Financial Strategy (MTFS) built on robust modelling and assumptions and an updated Capital Strategy that complies with the revised Prudential Code; and
- produce draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively

Responsibilities of the Authority, the Deputy Chief Executive – Resources (S151) and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 17, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive – Resources (S151). The Deputy Chief Executive – Resources (S151) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive – Resources (S151) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive – Resources (S151) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk

that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above except:

On 13 February 2024 we identified a significant weakness in the Authority’s arrangements and made a written recommendation under section 24 of the Local Audit and Accountability Act 2014. This written recommendation is included within ‘Matters on which we are required to report by exception’ section of this report. We identified:

- a significant weakness in the Authority’s arrangements for financial sustainability and governance. This was in relation to arrangements for financial planning and financial monitoring not being adequate.

On 13 February 2024 we identified further significant weaknesses in the Authority’s arrangements and made key recommendations in relation to these.

- We identified one significant weakness in the Authority’s arrangements for financial sustainability. This was in relation to that the Authority not having a robust plan to address its financial gap in the medium-term, instead it was making planned use of reserves. We recommended that the Authority should develop a corporate saving and transformation plan to help it reduce spending by looking at different ways of delivering services.
- We identified two significant weaknesses in the Authority’s arrangements in respect of governance. These were in relation to the Authority’s:
 - internal controls in respect of ICT, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas. We recommended that the Authority needs to improve its arrangement in respect to its internal controls relating to ICT.
 - internal controls in respect of relating to fraud, which could expose it to significant financial loss, and it has failed to follow-up on external audit recommendations in this area. We recommended that the Authority needs to improve its arrangement in respect to internal controls relating to fraud.
- We identified three significant weaknesses in the Authority’s arrangements in respect of improving economy, efficiency and effectiveness. This was in relation to the Authority’s lack of performance management framework to deliver its business plan. We recommended that the Authority needs to improve its arrangement in respect of performance management framework and its implementation.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Stafford Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Avtar Sohal, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date:

Independent auditor's report to the members of Stafford Borough Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Stafford Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Deputy Chief Executive – Resources (S151) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 13 February 2024 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial planning and monitoring. We recommended that the Authority should:

- ensure it has adequate capacity in its finance team and ensure that budget holders receive formal financial monitoring reports during the year
- put in place a Medium-Term Financial Strategy (MTFS) built on robust modelling and assumptions and an updated Capital Strategy that complies with the revised Prudential Code; and
- produce draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively.

Responsibilities of the Authority and the Deputy Chief Executive – Resources (S151)

As explained more fully in the Statement of Responsibilities for the Statement of Accounts (set out on page 15), the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive – Resources (S151). The Deputy Chief Executive – Resources (S151) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive – Resources (S151) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive – Resources (S151) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

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Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above except:

On 13 February 2024 we identified a significant weakness in the Authority's arrangements and made a written recommendation under section 24 of the Local Audit and Accountability Act 2014. This written recommendation is included within 'Matters on which we are required to report by exception' section of this report. We identified:

- a significant weakness in the Authority's arrangements for financial sustainability and governance. This was in relation to arrangements for financial planning and financial monitoring not being adequate.

On 13 February 2024 we identified further significant weaknesses in the Authority's arrangements and made key recommendations in relation to these.

- We identified one significant weakness in the Authority's arrangements for financial sustainability. This was in relation to that the Authority not having a robust plan to address its financial gap in the medium-term, instead it was making planned use of reserves. We recommended that the Authority should develop a corporate saving and transformation plan to help it reduce spending by looking at different ways of delivering services.
- We identified two significant weaknesses in the Authority's arrangements in respect of governance. These were in relation to the Authority's:
 - internal controls in respect of ICT, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas. We recommended that the Authority needs to improve its arrangement in respect to its internal controls relating to ICT.
 - internal controls in respect of relating to fraud, which could expose it to significant financial loss, and it has failed to follow-up on external audit recommendations in this area. We recommended that the Authority needs to improve its arrangement in respect to internal controls relating to fraud.
- We identified three significant weaknesses in the Authority's arrangements in respect of improving economy, efficiency and effectiveness. This was in relation to the Authority's lack of performance management framework to deliver its business plan. We recommended that the Authority needs to improve its arrangement in respect of performance management framework and its implementation.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Stafford Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Avtar Sohal, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date:

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Stafford Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Stafford Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of the pension fund net liability and valuation of other land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xiv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xvii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2021/22 of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with all the required information for you to complete your audit for year ending 31 March 2022 by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and

- iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- b. communicating to you all deficiencies in internal control of which management is aware.
- c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xix. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Accounts Committee at its meeting on 20 November 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Stafford Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Stafford Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of the pension fund net liability and valuation of other land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xviii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2022/23 of 13 December 2024. The new National Audit Office Code which will be approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

- ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
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- c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
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- xix. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xx. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Accounts Committee at its meeting on 20 November 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of Stafford Borough Council



IT Audit Findings Report

Stafford Borough Council and Cannock District Council

Year ended: 31 March 2022

Issued: 30 January 2023

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Section 1: Executive summary

01. Executive summary
02. Scope and summary of work completed
03. Summary of IT audit findings
04. Detail of IT audit findings

To support the financial statement audit of Stafford Borough Council and Cannock District Council for year ended 31 March 2022, Grant Thornton has completed a design and implementation review of the IT General Controls (ITGC) for applications identified as relevant to the audit.

This report sets out the summary of findings, scope of the work, the detailed findings and recommendations for control improvements.

We would like to take this opportunity to thank all the staff Stafford Borough Council and Cannock District Council for their assistance in completing this IT Audit.

Section 2: Scope and summary of work completed

01. Executive summary

02. Scope and summary of work completed

03. Summary of IT audit findings

04. Detail of IT audit findings

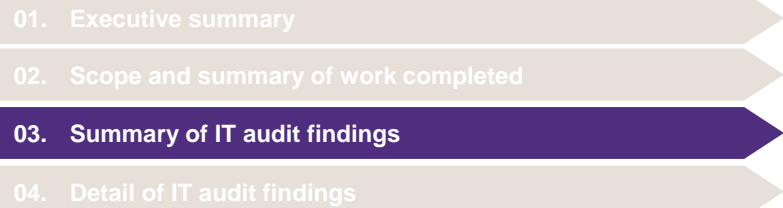
The objective of this IT audit was to complete an ITGC design and implementation review over Stafford Borough Council and Cannock District Council IT environment to support the financial statements audit. The following applications were in scope for this audit:

- Civica Financials
- Active Directory

We completed the following tasks, as part of this IT Audit:









- Evaluated the design, implementation of security management; change management and technology infrastructure controls.
- Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas.
- Performed an assessment of the processes and controls used as part of implementing onto a new system during the audit period
- Documented the test results and provided evidence of the findings to the IT Department for remediation actions where necessary.

Section 3: Summary of IT audit findings

- 
- 01. Executive summary
 - 02. Scope and summary of work completed
 - 03. Summary of IT audit findings**
 - 04. Detail of IT audit findings

Overview of IT audit findings


This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks / other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica Financials	Detailed ITGC assessment (design effectiveness only)					n/a
Active Directory	Detailed ITGC assessment (design effectiveness only)					n/a

We also performed specific procedures in relation to the significant changes during the audit period, specifically the new system implementation. We observed the following results:

IT system	Event	Result	Related significant risks / risk / observations
Civica Financials	New system implementation	Deficiencies identified	No


Assessment

-  Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
-  Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
-  Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach / IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing




Section 4: Detail of IT audit findings

- 01. Executive summary
- 02. Scope and summary of work completed
- 03. Summary of IT audit findings
- 04. Detail of IT audit findings**


IT general controls assessment findings

Assessment	Issue and risk	Recommendations
1. 	<p>Segregation of duty conflicts within Civica Financials</p> <p>Our IT audit procedures identified that there are 12 users with administrative access to Civica Financials that have finance responsibilities. The combination of financial responsibilities with the ability to perform system administrative functions is considered a segregation of duties conflict. These accounts include:</p> <ul style="list-style-type: none"> - 4 users as 'Chief Accountant' - 2 users as 'Senior Finance Assistant' - 1 user as 'Payment Officer' - 1 user as 'Finance Assistant' - 1 user as 'Exchequer Accountant' - 1 user as 'Debtors Officer' - 1 user as 'Assistant Finance Manager' - 1 user as 'Accountant Financial Planning' <p>Additionally, we also noted that there are 10 users with active administrative accounts to Civica Financials that have left the organisation. We inspected the leaving date and last login date and noted that the users were not revoked in a timely manner from Civica Financials.</p> <p>Risk</p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"> - unauthorised changes being made to system parameters - creation of unauthorised accounts, - unauthorised updates to their own account privileges - deletion of audit logs or disabling logging mechanisms. 	<p>It is recommended that the :</p> <ul style="list-style-type: none"> • Council should revoke system administration access from users with finance functions. • If incompatible business functions are granted to users due to organisational size constraints, the Council should ensure that there are review procedures in place to monitor activities, e.g. reviewing system reports of detailed transactions. <p>Management response</p> <p>No Management response were provided.</p>


Assessment


-  Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
-  Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
-  Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach


IT general controls assessment findings

Asses sment	Issue and risk	Recommendations
2. 	<p>Lack of review of security / audit logs in Civica Financials</p> <p>It was noted that Information security event logs, which capture the monitoring of activities such as failed logins and use of privileged user accounts within Civica Financials, have not been enabled for monitoring.</p> <p>Risks</p> <p>Without appropriate audit logging, inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p>	<p>Considering the criticality of Civica for financial reporting, information security events such as</p> <ul style="list-style-type: none">- repeated invalid/ unauthorised login attempts to access systems, data or applications- privileged user activities- privileged generic accounts- changes to system configurations, tables and standing data <p>should be logged and formally reviewed.</p> <p>Management response</p> <p>No Management response were provided.</p>


Assessment

 Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.


 Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach


 Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach


IT general controls assessment findings

Assessment	Issue and risk	Recommendations
3. 	<p>User access is not revoked in a timely manner for terminated employees within Civica Financials application</p> <p>Through our leavers testing, it was noted that access for a sample leaver [REDACTED] was only revoked from Civica 4 days after their last working day. Additional audit procedures were performed to determine the impact from the late revocation, and we noted that the leaver's account was last logged into on 30/03/2022, one day before their leave date.</p> <p>Risk Where system access for leavers is not disabled in a timely manner, there is a risk that:</p> <ul style="list-style-type: none">• Former employees may login without authorization and process erroneous or unapproved transactions.• These accounts may be misused by valid system users to circumvent internal controls.	<p>The Council should ensure that a comprehensive user administration procedures are in place to revoke application access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers.</p> <p>The Council should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner.</p> <p>Management response No Management response were provided.</p>

Assessment

 Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.

 Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach

 Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

IT general controls assessment findings

Assessment	Issue and risk	Recommendations
4.	<p>Insufficient documentation to support the testing and data migration from Total Finance to Civica Financials</p> <p>While Civica Financials migration was actively managed by both the Council's finance team and third party vendor, we identified the following issues around project governance to support the development and implementation of Civica Financials:</p> <ul style="list-style-type: none"> - Lack of evidence to support stakeholder approval of key documents (Project plan, UAT sign off) - While testing activities were undertaken, there were no formal test plans or scripts documented to ensure all the modules were adequately tested. Furthermore, there was a lack of supporting evidence to summarise the results from testing. - All issues identified during the data validation process were recorded in the issue log register, however the issue log was not kept updated. - While validation checks were planned to verify the integrity of migrated data, there were no supporting reconciliations for debtor balances. Furthermore, there were no formal sign-offs provided by relevant stakeholders to verify that the migrated data was complete and accurate. The project relied on oral confirmations. <p>Risk</p> <p>There is a risk that key aspects of the design, development and implementation process including data migration and testing may not have been completed appropriately</p> <p>Furthermore, the application may not consistently operate if bugs and errors within the application functionality may not be identified, assessed and resolved during wider system upgrade process. This may lead to errors within the financial reporting process.</p> <p>In the absence of data validation checks between, there is a risk that the migrated data is not complete and accurate.</p>	<p>Recommendations</p> <p>For future system implementations or upgrades, the Council should review and update their approach so that key stakeholder approvals are built into project milestones. The approach should also consider how key documents and conclusions will be retained.</p> <p>Management response</p> <p>No Management response were provided.</p>

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

Control for which assurance could not be provided

Control Area	Control Name and Description	Reason / Justification
Security Management	<ul style="list-style-type: none"> Administrative privileges (including generic super user access rights) to the network, applications and are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles. Applications have been configured to generate security event logs (audit logs, user activity logs) which are proactively reviewed to detect any unauthorised access attempts or inappropriate use of the application. 	<p>Active Directory</p> <p>We were unable to obtain supporting evidence for</p> <ul style="list-style-type: none"> the list of administrative users with access to manage AD verifying whether user activity logs are captured and monitored for AD.

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach



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Response to the External Auditor's (Grant Thornton) IT Audit Findings Report

Reference	Recommendation	Management Comments
1.	<p>It is recommended that the :</p> <ul style="list-style-type: none"> « Council should revoke system administration access from users with finance functions. « If incompatible business functions are granted to users due to organisational size constraints, the Council should ensure that there are review procedures in place to monitor activities, e.g. reviewing system reports of detailed transactions. 	<p>The system is broken down into security for each module. The area referred to is the company access; these have already been fully revoked and are no longer there. This was completed in November 2022.</p> <ul style="list-style-type: none"> - This element does not give them access to be able to delete audit logs or disable logging mechanisms - They cannot create unauthorized accounts as these have to be set up by civica financials themselves and requested via a helpdesk log on which only the Systems Admin Team and the Deputy s151 Officer have access to. - In terms of updates to their own account privileges there are compensating controls in the other modules whereby they could not set up a supplier or amend details as this requires a different user to authorize this <p>No further action required.</p>
2.	<p>Considering the criticality of Civica for financial reporting, information security events such as</p> <ul style="list-style-type: none"> - repeated invalid/ unauthorised login attempts to access systems, data or applications - privileged user activities - privileged generic accounts - changes to system configurations, tables and standing data <p>should be logged and formally reviewed.</p>	<p>Access to the system is via single sign on and is used from the employees logon to the main system, therefore there are no unauthorized logon or failed attempts. In terms of changes to tables and standing data the council has no access to this information within any of our users as this is managed by civica financials and reported via the helpdesk.</p> <p>Audit logs are maintained within the system but at a detailed level and the Council have requested reports at a summary level to be produced for key risk areas.</p>

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3.	<p>The Council should ensure that a comprehensive user administration procedures are in place to revoke application access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers.</p> <p>The Council should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner</p>	<p>There is a corporate system in place to manage access to the Council's IT network. HR notify the Technology team of leavers and accounts are disabled promptly.</p> <p>The Finance Systems Team do not revoke access to civica as that comes from the single sign on such that if the employee cannot access the main logon they cannot access the system.</p> <p>Access to all employees outside finance has until the last three months been restricted to purchasing only whereby there needs to be two people with one to raise the order and the other to authorize.</p> <p>No action required.</p>
4.	<p>For future system implementations or upgrades, the Council should review and update their approach so that key stakeholder approvals are built into project milestones. The approach should also consider how key documents and conclusions will be retained.</p>	<p>Noted.</p> <p>The debtors module was fully reconciled with the existing system and all of the information was validated. We only used debtors we had balances on or had been used within a shorter time period and not all debtor accounts. All balances and information was validated line by line.</p> <p>There was a board meeting to agree sign off with all the information provided. Tests were carried out end to end on the fundamental systems we went live with. We were clear at sign off that we were primarily going live with debtors and creditors modules fully tested.</p>

Reference	Recommendation	Management Comments
Security Management	<p><u>Active Directory</u></p> <p>We were unable to obtain supporting evidence for</p> <ul style="list-style-type: none"> « the list of administrative users with access to manage AD « verifying whether user activity logs are captured and monitored for AD 	<p>Neither the Finance staff or the Technology staff have access to any of the tables, audit logs etc as this is all hosted in the cloud by civica.</p> <p>The new External Auditors are proposing to undertake a further of the review of the system and we will discuss this issue further with them.</p>