

Audit Completion Report

Cheltenham Borough Council

For the year ended 31 March 2024



Date: 27 February 2025

Those Charged with Governance
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 9SA

Dear Sirs and Madams

Cheltenham Borough Council – Audit Completion Report

We are pleased to attach our Audit Completion Report. This report summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP." The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

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1. Executive summary

Status of audit

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit is largely complete. However, as noted in section 2, there are a number of areas which we have been unable to complete work on due to the prior year opinion not being issued until 4 December 2024. We anticipate issuing a modified disclaimed opinion due to the lack of assurance over opening balances, as a result of the prior year financial statements also being disclaimed by the previous auditor.

Amendment to audit deadlines

On 9 September 2024, the Secretary of State for Ministry of Housing, Communities and Local Government laid regulations to introduce statutory deadlines for publication of audited accounts amending the Accounts and Audit Regulations 2015. These came into force on 30 September with the intention of addressing the backlog in local government accounts.

For the 2023/24 financial year, under these new regulations, an authority must publish its audited statements (namely its audited statement of accounts, annual governance statement and narrative statement) on or before 28 February 2025. This date is known as the 'backstop' date.

Key audit issues

Within our Audit Plan which was presented to the Audit, Compliance and Governance Committee in October 2024, we outlined a number of risks that we considered to be of particular significance to the audit. Our plan also detailed our planned approach at that time for addressing each of these risks.

The specific significant risks highlighted were as follows:

- Management override of controls;
- Fraud in revenue recognition;
- Fraud in expenditure recognition;
- Valuation of land and buildings;
- Valuation of investment properties;
- Valuation of heritage assets; and
- Valuation of the pension fund net liability.

In respect of the significant risks, as detailed in section 2 of this report, we have not been able to complete work on the valuation of land and building, investment properties, and heritage assets due to limitations imposed by the backstop. We have not identified any issues with regards to the other significant risks.

This report also sets out the areas of our audit work where, given the limitations of scope imposed by the backstop, we have made progress including the work undertaken and our findings. On page 5, we have set out a more detailed update to our planned audit approach.

Audit Adjustments

During the course of our work, adjustments were identified and, on agreement of management, were adjusted in the financial statements.

Full details of the adjustments identified are included in section 6 to this report.

Management Letter Points and Internal Control Matters

One control point was identified during the course of our work, which is further detailed in section 7 to this report. This is not considered to have an important effect on your system of internal control.

Value for Money

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The National Audit Office's Code of Audit Practice requires us to report on the Council's arrangements under three specified 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 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.

Our work has not identified any significant weaknesses; see section 8 for more details. The results of the Value for Money work are reported separately in our Auditor's Annual Report.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

2. Introduction

Responsibilities of the audited body

The audited body is responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that it confirms that our understanding of all matters referred to in this report are appropriate, having regard to its knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of Cheltenham Borough Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

Materiality

In carrying out our audit work we have considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in context of the financial statements as a whole.

In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements.

	Basis of materiality	Amount
Cheltenham Borough Council	2% of gross expenditure	£1,886,000

Anticipated audit report

The Council's financial statements for 2022/23 were given a disclaimed audit opinion by the predecessor auditor, with no substantive audit work having been carried out. As a result, we do not have assurance over the opening balances for the 2023/24 audit and we will be issuing a disclaimed opinion on the financial statements of Cheltenham Borough Council for the year ended 31 March 2024. We will be aiming to rebuild assurance over subsequent audit years, although the timeframe for getting the Council to an unqualified opinion is currently unclear and is the subject of significant discussions within the sector.

Letter of Representation

The letter of representation is attached at Appendix 1.

Update on our planned approach

As you will be aware, on 5 September 2024 the government published the Accounts and Audit (Amendment) Regulations 2024, which came into force on 30 September 2024. These set a publication date for financial statements up to and including 2022/23 of 13 December 2024 and for the 2023/24 financial statements of 28 February 2025. The National Audit Office Code, which came into force on 14 November 2024, 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 management, it will not be possible for us to complete all our planned work for the 2023/24 audit by the statutory backstop date. This is due primarily to the prior year accounts not being audited, which has meant that we are unable to place reliance on opening balances or give an opinion on in-year movements which depend on those balances. In addition, the tight timeframe between the 2022/23 audit being signed off on 4 December 2024 and the deadline of 28 February 2025 has meant that there are other areas that we have been unable to conclude on.

Given the lack of time between the 2022/23 sign off and the 2024 statutory deadline we have focused our testing on areas that will enable us to build back assurance over your statement of accounts in the most effective way. Our main area of focus has been to get assurance over the balance sheet of the Council as at 31 March 2024 as this will enable us to have assurance over the cut-off of transaction between 2023/24 and 2024/25. You will see from the summary below, we have audited all areas of the 31 March 2024 balance sheet, other than valuation adjustments. Management have agreed to complete a full valuation of all fixed assets held at valuation at 31 March 2025, which will enable us to gain full assurance over the valuation of these assets at 31 March 2025.

Our work undertaken can be summarised as follows:

Area	Work Completed
AGS	Standard audit approach taken
Narrative Report	Standard audit approach taken
Expenditure (including payroll)	Standard audit, other than payroll, housing benefit expenditure and depreciation not tested
Income	Standard audit approach taken, other than Housing Benefit income not being tested
Expenditure and Funding Analysis	Standard audit approach taken
Property, Plant and Equipment	Standard audit for additions and disposals. No assurance over depreciation, valuation and existence and ownership. Testing of a full valuation, existence and ownership at 31 March 2025 and depreciation in 2024/25.
Heritage Assets	Standard audit for additions and disposals. No assurance over valuation, existence and ownership. Testing of a full valuation, existence and ownership at 31 March 2025 will build back assurance.
Investment Property	Standard audit for additions and disposals. No assurance over valuation, existence and ownership. Testing of a full valuation, existence and ownership at 31 March 2025 will build back assurance.
Investments	Standard audit approach taken
Debtors	Standard audit approach taken
Assets Held for Sale	Testing not completed - Will build back assurance in 2024/25 by testing the 31 March 2025 year-end balance.
Cash and cash equivalents	Standard audit approach taken
Borrowing	Standard audit approach taken

Area	Work Completed
Creditors	Standard audit approach taken
Grants receipts in advance	Testing not completed - Will build back assurance in 2024/25 by testing the 31 March 2025 year-end balance
Provisions	Standard audit approach taken
Reserves and MiRS	Standard audit approach taken to testing of consistency and accounting treatment in reserves. However, gaining assurance over the accuracy and completeness of reserves balances brought forward is much more complex given the lack of audit work completed on 2022/23 income and expenditure. This is discussed further below.
Cash Flow Statement	We have agreed the majority of CFS to other areas of the accounts. However, there are areas that we have been unable to fully agree in the tight timeframe for the audit. Moreover, we cannot fully conclude on this as assurance has not been given on some of those areas (such as debtors or creditors).
Related Party transactions	Standard audit approach taken
Collection Fund	Standard audit approach taken
Financial Instruments Disclosures	Standard audit approach taken
Senior Officer Remuneration	Standard audit approach taken
Capital expenditure and financing	Standard audit approach taken
Defined benefit pension scheme	Standard audit approach taken
Journals	Standard audit approach taken
Lease disclosures	Standard audit approach taken
HRA	Testing not completed - Will build back assurance in 2024/25 by testing the 2024/25 transactions
Group (consolidation)	Testing not completed on the consolidation. However, we are also the external auditors of Cheltenham Borough Homes and have completed a full audit of the group's only material subsidiary company. The Council equity accounts for their share of the assets and liabilities of Gloucestershire Airport. With this investment expected to be sold in the future, the expected or actual sales value will give a good level of assurance of the appropriate carrying value of the assets at 31 March 2025. Therefore, we have the ability to build back assurance over this area looking forward.

Other than the areas detailed above, our audit is complete.

Building back assurance over reserves

As highlighted in the table above, the ability to build back assurance over reserves balances is complex. This is a sector wide challenge and as such the regulators and audit firms have been meeting to discuss practical solutions to this problem. There is a sandbox environment for technical leads for the audit firms to discuss potential approaches that could be taken moving forward.

The most straight forward option to build back the assurance would be to perform testing over the 2022/23 transactions that impact reserves. However, this could be suggest that auditors would need to complete full audit procedures over 2022/23 to fill the gaps in the assurance levels. There is not sufficient capacity in the system to complete this work retrospectively and was not the intention of the regulators when the backstop arrangements were put in place.

It is likely that a bespoke arrangement will need to be tailored for each Council that takes into account the risk of material misstatement for each reserve that will include consideration of:

- The materiality of the reserve balances
- The materiality in the movement in and out of the reserves balances
- The ability to translate a year end reserve balance into a discrete number of auditable items or transactions or whether it is the net of a large number of in year transactions (like movements on the general fund)
- The consistency in the balances and movement in reserves with other balances in the statement of accounts
- The predictability of the balances and whether some assurance can be provided by analytical procedures

Confidentiality

This document is strictly confidential and although it has been made available to those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the Local Audit and Accountability Act 2014 (the Act) and from the Code of Audit Practice. The contents of this report should not be disclosed to third parties without our prior written consent.

3. Audit and accounts process

The preparation of the financial statements is a vital process for the management of the Council and one which should be performed on a timely basis. We met with senior officers as part of our planning work to discuss how we would work together to make the audit process effective.

We discussed key accounting issues early, so they could be considered before the audit commenced.

As detailed within Section 2 above, the fact that the prior year accounts were unaudited and the tight timeframe between the 2022/23 audit being signed off and the deadline of 28 February 2025 has meant that there are several areas of the audit that we have been unable to conclude on. We have discussed this with management throughout the process and appreciate their help in completing work those areas that we have been able to.

We appreciate that the timeframe has made the audit more difficult for management as well as ourselves. Key members of the finance team made themselves available to us throughout the audit where possible, and the quality of the working papers and supporting evidence provided was generally good. We will work with management so that we can all understand how we can build back assurance over the areas that have not been audited.

We are keen to continually improve our service and the effectiveness of the process and, therefore, will hold a debrief discussion with management to identify areas where this might be possible.

4. Audit risks

Management override of controls (applicable to the Group and Council)

Significant Risk

We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.

Work done and conclusion

To address this risk, we have:

- reviewed the reasonableness of accounting estimates and critical judgements made by management;
- tested journals with a material impact on the results for the year; and
- considered a sample of other journals with key risk attributes.

In testing journals, we used data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.

We have not identified any material errors from our work carried out.

Fraud in revenue recognition (applicable to the Group and Council)

Significant Risk

There is also a presumption under auditing standards that the risk of fraud in revenue recognition is considered to be a significant risk area.

Work done and conclusion

Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted because:

- There is little incentive to manipulate revenue recognition;
- Opportunities to manipulate revenue recognition are very limited; and
- The culture and ethical framework of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable.

We have not identified anything in our audit work that suggests our assessment needed to be updated.

Fraud in expenditure recognition (applicable to the Group and Council)

Significant Risk

Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant.

We consider that the risk of fraud at the Council to be around the cut-off at year end.

Work done and conclusion

At the planning stage, we considered whether we have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We concluded that this was not a significant risk for Cheltenham Borough Council because:

- expenditure is well controlled, and the Council has a strong control environment; and
- the Council has clear and transparent reporting of its financial plans and financial position.

We have not identified anything in our audit work that suggests our assessment needed to be updated.

Valuation of land and buildings (applicable to the Council)

Significant Risk

There is a risk over the valuation of land and buildings due to the high degree of estimation uncertainty, and judgements involved in build valuations.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to undertake our testing for land and building valuations.

Valuation of investment properties (applicable to the Council)

Significant Risk

There is a risk over the valuation of investment properties due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to undertake our testing of investment property valuations.

Valuation of heritage assets (applicable to the Council)

Significant Risk

There is a risk over the valuation of heritage assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to undertake our testing of heritage asset valuations.

Valuation of the pension fund net liability

Significant Risk

There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to conclude our testing for the valuation of the pension fund net liability.

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert;
- considered the accuracy and completeness of the information provided to the actuary;
- ensured that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary;
- carried out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Oxfordshire Pension Fund in respect of the controls around the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We have identified one amendment resulting from our audit of the pension fund net liability, as detailed in Section 5 below.

5. Other audit and financial reporting matters

Valuation of the LGPS

The macro-economic environment has had a significant effect on the actuarial valuation of a local government body's share of the Local Government Pension Scheme (LGPS), with deficits reported by the actuaries through their IAS 19 reports reducing significantly in each of the last two years.

Across the Local Government sector, accounting surpluses have become more prevalent. IFRIC 14 provides guidance from the International Financial Reporting Interpretations Committee on the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liability needs to be recognised in respect of onerous funding commitments. The sector-wide approach to applying IFRIC 14 has evolved over the last year as IAS 19 surpluses are becoming more common. This has resulted in some actuaries revising their approach when producing 'asset ceiling' calculations that adopt the principles set out in IFRIC 14.

We reviewed the asset ceiling report provided by the actuary in respect of the net asset (before any adjustments) of £9.170m. This report detailed that there is an additional liability to recognise and an adjustment of £32.918m is required to the net asset/liability for the effect of the asset ceiling, which would leave a net liability of £23.748m.

In addition, as is detailed within the asset ceiling report, the asset ceiling calculations do not take account of any of the Employer's unfunded benefits. The unfunded liability of £1.084m should have been included as a liability.

Management have amended the financial statements for this issue, as shown in Section 6.

6. Audit Adjustments

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant.

Adjusted items

All adjusted misstatements are set out in detail below along with the impact on the key statements for the year ended 31 March 2024:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
CIES – Taxation and non-specific grant expenditure ¹	743			
CIES – Taxation and non-specific grant income ¹		743		
Remeasurement of the net defined benefit liability /(asset) ²	24,832			
Other long-term liabilities ²				24,832
Total	25,575	743	0	24,832

1. Expenditure and income were both understated in the CIES due to a miscoding
2. Restatement of net pension fund balance to take into account asset ceiling calculations

Misclassifications and adjustments to disclosures

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

Misclassification/ Disclosure change	Audit comment	Value (£000)	Adjusted?
Financial Instruments	Amend the figures within the maturity analysis to ensure that they agree to supporting records	2,379	Y
Capital Commitments	Additional capital commitment identified for a contract signed on 28/03/24	590	Y

Unadjusted items

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The JASC is required to approve management's proposed treatment of all items recorded within the table below (these are also set out in the Letter of Representation).

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Defined Benefit Schemes – Investment Assets			120	
Pensions Reserve				120
Total	0	0	120	120

Impact of prior year unadjusted misstatements

Given the disclaimed opinion on the 2022/23 financial statements, and our consequential inability to place reliance on opening balances, there are no prior year unadjusted misstatements to consider.

7. Management letter points and internal control systems

The Council's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Those Charged with Governance that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit; none of which are considered significant.

KEY:



Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.



Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.



Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.

Current Year Issues

Implementation of the asset ceiling on the pension fund net liability	
	
We reviewed the asset ceiling report provided by the actuary in respect of the net asset (before any adjustments) of £9.170m. This report detailed that there is an additional liability to recognise and an adjustment of £32.918m is required to the net asset/liability for the effect of the asset ceiling, which would leave a net liability of £23.748m. In addition, as is detailed within the asset ceiling report, the asset ceiling calculations do not take account of any of the Employer's unfunded benefits. The unfunded liability of £1.084m should have been included as a liability. Management have amended the financial statements for this issue, as shown in Section 6.	<u>Recommendation</u> As part of the accounts compilation process for 2024/25, management should ensure that they understand the reports from the actuary and apply the recommended treatment. <u>Management comment</u> This was the first year in which an asset ceiling report was requested in response to the net pension liability in the actuary report being calculated as positive, meaning the accounting treatment of the balance needed to be assessed. The 2024/25 asset ceiling report has already been requested from the actuary as part of the preparation for the closedown and accounts preparation process.

Review of the bad debt provision	
	
Our review of the bad debt provision identified that there is no information to support the percentage of debts provided for.	<u>Recommendation</u> We recommend that management review the methodology for calculating the bad debt provision and use a percentage that is based off actual historic write-off levels.

	<u>Management comment</u> The numerical value and number of bad debt write-offs processed each year is extremely low. Our methodology of using management judgement to determine a percentage provision against each category of debt is deemed to be a more prudent approach.
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Payroll/HR Documentation	
	
Our review of the payroll testing identified that there were three employees for whom we signed up-to-date contracts could not be provided.	<u>Recommendation</u> We recommend that management ensures strong procedures are in place for maintaining appropriate HR documentation. <u>Management comment</u> Our HR and payroll teams will ensure that all future contracts are returned and filed within their systems.

8. Other matters

Other information

We are also required by the Code of Audit Practice to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. Because the 2023/24 opinion is being disclaimed, we also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Reporting by exception

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with “Delivering Good Governance in Local Government: Framework 2016 Edition” published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council 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 on these matters.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Going concern

As we have been unable to form an opinion on the financial statements, we are unable to obtain sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified; and
- management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Value for money arrangements

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council’s arrangements under three specified 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 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 asked management to complete an evidenced self-assessment of the Council’s arrangements. We then reviewed the evidence provided and carried out follow-up work as appropriate to consider whether there are any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have not identified any significant weaknesses, and the results of the Value for Money work are reported separately in our Auditor's Annual Report.

Whole of Government accounts work

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

We have received the group instructions from the National Audit Office in respect of our work on the Council's WGA submission and will complete this work alongside the conclusion of our audit work.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We cannot formally conclude the audit and issue the audit certificate until we have confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

Audit fees

Our final fee for the 2023/24 audit is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2023/24	153,220	153,220
Fee variation in relation to additional procedures in relation to revisions to ISA 315	N/A	11,997
Fee variation in relation to additional procedures incurred for audit of pension disclosures to ensure compliance with IFRIC 14 (see section 5)	N/A	2,602
Fee variation in relation to development of audit approach to address prior year disclaimer to enable building back assurance. Development and approval of disclaimed audit opinion.	N/A	7,106
Total (excluding VAT)	153,220	174,925

We can confirm that we have not undertaken any non-audit work at the Council during the year.

Appendices



1. Letter of representation

Bishop Fleming LLP
10 Temple Back
Redcliffe
Bristol
BS1 6FL

[Date]

Dear Sirs

Cheltenham Borough Council

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Cheltenham Borough Council (the Council) financial statements for the year ended 31 March 2024. These enquiries have included inspection of supporting documentation where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

1. General

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 2023/24 (the Code) and applicable law and for being satisfied that they give a true and fair view and for making accurate representations to you.

All the transactions undertaken by the Council have been properly reflected and recorded in the accounting records.

All the accounting records have been made available to you for the purpose of your audit of the Council. We have provided you with unrestricted access to all appropriate persons within the Council, and with all other records and related information requested, including minutes of all Council and Committee meetings.

The financial statements are free of material misstatements, including omissions.

2. Internal control and fraud

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

We have disclosed to you all instances of known or suspected fraud affecting the Council involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.

We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the Council's financial statements communicated by current or former employees, analysts, regulators or others.

3. Assets and liabilities

The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets, except for those that are disclosed in the notes to the financial statements.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include PPE and investment property valuations, pension liability and NNDR provisions.

All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

4. Accounting estimates

The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

5. Legal claims

We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

6. Laws and regulations

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We confirm that all correspondence with our Regulators has been made available to you.

7. Related parties

Related party relationships and transactions comply with the Council's financial regulations, relevant requirements of the Code and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with regulatory, legislative and accounting standards requirements.

8. Subsequent events

All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

9. Going concern

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that the financial reporting framework applicable to local government bodies means that the anticipated continued provision of entity's services in the public sector is normally sufficient evidence of going concern. We have not identified any material uncertainties related to going concern.

10. Annual Governance Statement

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.

11. Narrative Report

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.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We have taken all the appropriate steps in order to make ourselves aware of any relevant audit/ other information and to establish that you are aware of that information.

Yours faithfully

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Signed on behalf of the Audit, Compliance and Governance Committee of Cheltenham Borough Council

[Date]

2. Required communications with the Audit, Compliance and Governance Committee

Under the auditing standards, there are certain communications that we must provide to the Audit, Compliance and Governance Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • enquiries of those charged with governance to determine whether they have a 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 fraud may exist; and • a discussion of any other matters related to fraud.	Audit Completion Report Discussions at Audit, Compliance and Governance Committee
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: • 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; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at Audit, Compliance and Governance Committee
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report



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