

# Bromsgrove District Council

Audit status report

Year ended 31 March 2024

**18 September 2025**



The better the question. The better the answer. The better the world works.



Shape the future  
with confidence



Audit, Standards and Governance Committee  
Bromsgrove District Council  
Parkside  
Market Street, Bromsgrove  
Worcestershire  
B61 8DA

18 September 2025

Dear Audit, Standards and Governance Committee Members,

**2023/24 Audit Update report**

We are pleased to attach our audit update report, summarising the status of our audit for the forthcoming meeting of the Audit, Standards and Governance Committee. We will update the Audit, Standards and Governance Committee at its meeting scheduled for 29 September 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our update on the 2023/24 audit of Bromsgrove District Council (the 'Council').

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

The Audit, Standards and Governance Committee, as the (Council's) body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit, Standards and Governance committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 29 September 2025.

Yours faithfully

Hayley Clark

Partner

For and on behalf of Ernst & Young LLP

Enc



# 01 Audit status

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

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

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

# Audit status

## Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

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

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements was 28 February 2025. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

The Council was not able to meet the deadline for phase 1 of the recovery plan due to delays in the preparation of the financial statements for 2020/21, 2021/22 and 2022/23. Grant Thornton, the auditor for those financial years issued their audit opinions in January 2025 following the preparation of the financial statements and completion of the inspection period for those respective years. All three were disclaimed in accordance with the statutory legislation enacted to implement the 13 December 2024 backstop date to reset and recover local government audit.

The draft statement of accounts for 2023/24 were not published until mid January 2025 with the inspection period ending on 27 February 2025. Due to our appointment as auditor to the Council by PSAA not being until 2024/25, following completion of acceptance and onboarding procedures the audit for 2023/24 did not commence until June 2025.

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

As the backstop date has passed we are required to undertake our responsibilities in relation to value for money and also undertake procedures to enable us to issue a disclaimed audit opinion on the financial statements.

# Audit status (continued)

## Status of the 2023/24 audit

Auditing standards require auditors to perform certain procedures irrespective of the form of opinion. We commenced these procedures in June 2025 and requested information from management for this purpose. However, resources were focused towards meeting the 30 June deadline for publishing the 2024/25 draft statement of accounts. We rescheduled our available resources to July and August; however, further challenges were met, including annual leave and delays in the provision of requested information. In addition, whilst performing our audit procedures we have identified matters requiring further investigation relevant but not limited to VAT, capital budgeting, compliance with laws and regulations and Value for Money which has led to further information requests from management.

We have collaborated with management to support the audit process through weekly catch-ups, further reallocation of our experienced resources, incorporating further flexibility in the audit team's working hours, on-site visits, and redefining our information requests to focus solely on compulsory required procedures. Whilst we have sought to reschedule resources across the summer, further delays and uncertainty in the receipt of information has meant that we have exhausted the available resource and have had to pause the audit until we have a clear delivery timeline from management and have available resources to recommence.

We understand that the Council has not been subject to audit for a number of years and has had a number of capacity challenges and changes in personnel. However, it is important that the Council evaluates its preparedness for audit to ensure resources can be deployed efficiently and effectively to support us in conducting and completing the audit within the required timescales.

It is now highly unlikely that we will have available resource to recommence the audit of the 2023/24 financial statements until the 2024/25 planned audit period. As such, there will be an impact on the delivery of the 2024/25 audit.

We will continue to work with management on the timeline and implications for each audit. We understand that management is in process of strengthening their team through a number of appointments. This includes a Chief Accountant (who is expected to start week commencing 22 September 2025) to provide further support with the audit process, increasing the capacity of the team.

We have recently received some of the outstanding queries from management, which will be reviewed when the audit recommences. Below are the key information requests that remain outstanding:

Area	Summary of work Performed and pending information
Business and Environment	Queries regarding the Leisure Centre Pool and the arrangements between Bromsgrove District Council, Spadesbourne Homes and Bromsgrove District Housing Trust.
Public correspondence	Following the receipt of information from a member of the we are assessing any audit or value for money considerations and awaiting further information as requested from management to complete our work in this area.
Related Parties	We are pending information from management to complete our work for this area.
Litigations	Queries pending relating to specific matters/claims.
Analytical review	Awaiting information from management for analytical review of movements from prior year in the financial statements.

# Audit status (continued)

## Provisional audit risks

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Management Override: Misstatement due to fraud or error	Fraud risk	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition	Fraud risk	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grant income, where management has more opportunity to manipulate the period in which the income is reported. Specifically, our risk is focused on the occurrence of income, where management may have overstated income in the current financial year. This is likely to occur around the end of the financial year (i.e. bringing forward income from the subsequent year) and would also lead to an overstatement of Debtors therefore we associate this risk to that balance too.</p> <p>In the public sector, the requirement of ISA 240 is also modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We assess that this risk manifests itself in the understatement of expenditure (completeness of expenditure and associated accruals balances) in order to manage the Council's financial position. We consider this risk does not apply to payroll. This could also extend to non-recognition of required provisions.</p>
Valuation for Pension assets / liabilities and disclosures	Inherent risk	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates for scheme assets.</p>
Valuation of property, plant and equipment	Inherent risk	<p>PPE represent significant balances in the Council's financial statements and are subject to valuation on a periodic basis. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet. We will specifically focus on assets where a higher degree of estimation uncertainty exists:</p> <ul style="list-style-type: none"> <li>➤ Depreciated Replacement Cost (specialised operational assets for which an active market does not exist);</li> <li>➤ Fair Value (surplus assets valued at the price that would be received to sell an asset); and</li> <li>➤ Existing Use Value (operational assets for which there is an active market to provide comparable evidence).</li> </ul> <p>The Council engages external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.</p>

# Audit status (continued)

## The Authority's responsibility for Value for Money (VfM)

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

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

## Risk assessment and status of our work

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

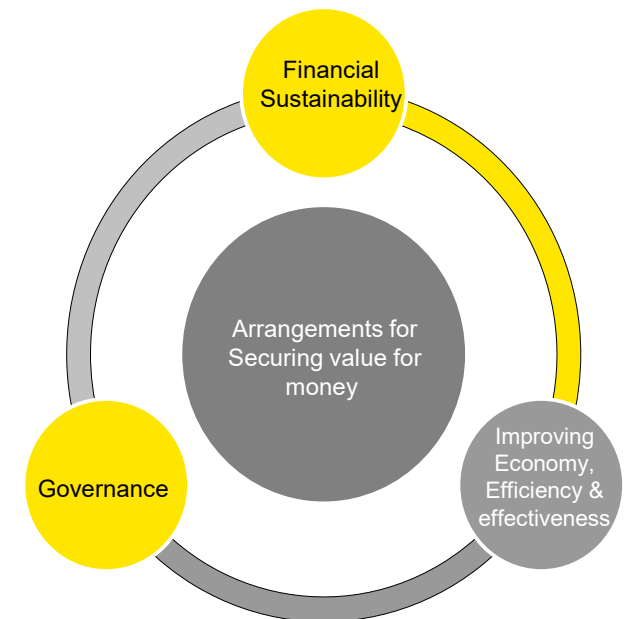
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on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

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

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

Our risk assessment and detailed VfM work remains in progress. As such, we will report our final risk assessment and findings to a further meeting of the committee.

As discussed with the Committee in July 2025, given we are assessing the arrangements in place for the financial year 31 March 2024 and the delay in publication of the financial statements, it is highly likely that previous significant weaknesses and statutory recommendations raised by Grant Thornton will be continued to be reported.



# Audit status (continued)

## Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements does this impact?
Section 24 Recommendation - The predecessor auditor issued a S24 recommendation in relation to its financial systems and governance arrangements. Due to flawed ERP implementation, the entity was not able to produce statement of accounts on a timely basis for 2020/21, 2021/22 and 2022/23. Though progress was made subsequently to produce the outstanding set of accounts, the predecessor auditor highlighted that they experienced significant difficulties in obtaining sufficient appropriate evidence to support the work on data transfer to enable them to commence their audit work. This impacted the general ledger data being used for multiple reports including but not limited to Council's medium term financial strategy. The recommendation remained outstanding for 2022/23 period and the Council was also not able to meet the backstop date for 2023/24 period. We have created a risk of significant weakness for 2023/24 in this respect.	Financial sustainability and Governance
A significant weakness was reported by the predecessor auditor on the Council's organizational capacity concerning high staff turnover and a high number of the Council's positions being filled through interim / temporary arrangements leading to a loss of corporate knowledge and history, impacting the finance team and audit processes.	Governance
The partner in charge of the audit received correspondence from a member of the public concerning governance arrangements at the Council. We are considering the information and identifying if there are any risks of significant weakness, or actual significant weaknesses in the Council's arrangements.	Governance
The challenges with the finance system implementation has meant that the Council was unable to submit VAT returns since 1 <sup>st</sup> April 2021 highlighting potential non-compliance with relevant taxation laws.	Governance
During our risk assessment procedures, we noted that Council has been reporting capital budget underspends which have historically been more than 60% underspent. We are considering the Council's arrangements on capital budget setting procedures and policies and actions taken by the council to reflect on the underspend.	Governance



## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2025 Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

UKC-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com/uk](https://ey.com/uk)