

Winchester City Council Draft audit results report

Year ended 31 Month 2024

February 2025





Audit and Governance Committee
Winchester City Council
City Offices
Colebrook Street
Winchester
SO23 9LJ

14 February 2025

Dear Audit & Governance Committee Members

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the results of our audit on Winchester City Council.

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

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

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

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

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

As reported in our 8 November 2024 Audit Completion Report, we undertook limited audit procedures and therefore issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we have not obtained sufficient evidence to be able to conclude that the 23/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

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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 and Governance Committee and management of Winchester City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Winchester City 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 and Governance Committee and management of Winchester City Council for this report or for the opinions we have formed.



01 Executive Summary



Executive Summary – Context for the audit

Context for the audit – Ministry for Housing, Communities and Local Government (MHCLG, formerly DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of 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.
- Lack of capacity within audit firms with public sector experience.
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

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

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



Executive Summary

Scope update

In our Audit Planning Report presented at the 16 April 2024 Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £2.093 million. This was based on prior year gross expenditure on the provision of services. We have re-calculated this using values from the draft financial statements. Based on this our revised materiality level is £2.180 million. The basis of our assessment has remained consistent at 2% of gross expenditure on provision of services. This results in updated performance materiality, at 75% of overall materiality, of £1.635 million, and an updated threshold for reporting misstatements of £0.109 million.

Status of the audit

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

- Completion of final review procedures across a number of areas which could lead to further issues to resolve;
- Review of the final version of the financial statements to ensure all adjustments have been made correctly;
- Completion of subsequent events review; and
- Receipt of the signed management representation letter

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix C.

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

Value for Money

In our Audit Planning Report dated 16 April 2024, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures in these areas identified a risk of significant weakness which we are likely conclude is an actual significant weakness in the Council's VFM arrangements. See Section 3 of the report for further details.



Executive Summary (cont'd)

Audit differences

The misstatements identified are detailed below:

► Uncorrected audited differences

- Overstatement of the gross book value and accumulated depreciation of vehicles, plants, and equipment related to assets with a net book value of zero that no longer exist amounting to £2,570k. This has no net impact on the carrying value of assets reported on the Council's balance sheet.
- Understatement of payable accruals amounting to £407k, which understate expenditure in the CIES by £240k
- Reclassification of long-term to short-term borrowings of £230k
- Reclassification of grants received in advance to short-term creditors of £631k

► Corrected audit differences

We highlight the following audit differences which have been corrected by management that were identified during the course of the audit:

- An increase in income and expenditure of £906k due incorrect mapping of Central Support Services income – nil impact to bottom line
- A net decrease of £4,968k to Pension Liability due to incorrect change in demographic assumptions and inflation experience used in the IAS 19 liability assessment by the pension fund actuary.
- A decrease in Council Dwellings of £9,923k due to a failure to apply the required reduction factor to the valuation. This impacting increases expenditure in the CIES by £5,972k but is reversed as an adjustment between accounting basis and funding basis.

Some less significant amendments were also made to a number of disclosure notes and associated narrative.

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

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

Executive Summary (cont'd)

Areas of audit focus

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

	Area of audit focus	Risk type	Status	Summary of findings/Comments
1	Misstatements due to fraud and error	Fraud risk	Complete	No significant matters have been identified in the completion of our work.
2	Inappropriate capitalisation of revenue expenditure	Fraud risk	Complete	No significant matters have been identified in the completion of our work.
3	Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP)	Significant risk	Complete	<p>We noted issues around the key inputs and assumptions used in the valuation of land and buildings valued using Existing Use Value (EUV) and Fair Value (FV). This includes PPE Other Land and Buildings valued at EUV; Surplus Assets valued at FV; and Investment Properties valued at FV.</p> <p>We recognise that the management and the Council's specialist require a significant further time to re-evaluate the valuations. Further time would also be required for both the audit team and EY valuation specialist to consider revised valuations. Having considered the statutory backstop date of 28 February 2025, we concluded that we have insufficient time to further consider representations from the valuer on key inputs and assumption which we have challenged as being inaccurate as part of the audit. We also have insufficient time to consider whether potential errors are more pervasive across the untested population. Consequently, we did not carry out any additional procedures, and the audit team has ceased testing the remaining audit team samples.</p> <p>We identified no issues with the valuation of assets carried at depreciated replacement cost.</p>
4	Pension Liability Valuation	Inherent risk	Complete	<p>We have received the results from our internal pensions specialists from their review of the roll-forward of the Local Government Pension Scheme. Their work identified a material misstatement in the gross pensions liability figure as reported as at year end, due to errors in the demographic assumptions and inflation experience figures used by the Actuary. The impact is a £4,698k overstatement to the net pension liability.</p> <p>The Council has obtained an updated IAS 19 Report from the Actuary and has posted the necessary adjustments through the financial statements.</p>



Executive Summary (cont'd)

Areas of audit focus

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

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

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

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

During the audit, we identified two areas as part of the 2023/24 audit for the Committee's attention relating to the property, plant and equipment valuation and existence. See section 6.

There are no other matters we wish to report.

Independence

Please refer to Section 8 for our update on Independence.



02 Areas of Audit Focus

Areas of Audit Focus

Significant risk- Misstatements due to fraud or error*

Fraud Risk

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

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

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

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

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ Identified fraud risks during the planning stage of the audit;
- ▶ inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ obtained an understanding of the oversight given by those charged with governance of management's processes over fraud;
- ▶ discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions);
- ▶ considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determined an appropriate strategy to address those identified risks of fraud;
- ▶ performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- ▶ undertook procedures to identify significant unusual transactions; and
- ▶ considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

What is the status of our work?

We have not identified any material evidence of material management override. Specifically:

- ▶ Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management.
- ▶ Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias.
- ▶ There were no significant unusual transactions.

Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the financial position, or that management has overridden controls.

Areas of Audit Focus

Significant risk- Inappropriate capitalisation of revenue expenditure*

Fraud Risk

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

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

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

What is the status of our work?

No significant matters have been identified in the completion of our work. Based on our sample testing:

- Our testing confirmed that items were appropriately capitalised as per IAS 16 through agreement to evidence such as invoices and capital expenditure authorisations.
- We did not identify any instances of capitalised costs which were not capital in nature, i.e. addition costs were directly attributable to the assets.
- REFCUS expenditure was also appropriately classified.

We have not identified any instances of inappropriate journal entry postings in relation to capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- Substantially tested Property, Plant and Equipment (PPE) additions using a low testing threshold to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Substantially tested Revenue Expenditure Funded from Capital Under Statute (REFCUS) expenditure to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Areas of Audit Focus

Significant risk - Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP)



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

The fair value of PPE land and buildings and IP represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting. The Council's IP is subject to annual revaluation, while its operational PPE and surplus assets are valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

What is the status of our work?

We noted issues around the key inputs and assumptions used in the valuation of land and buildings valued using Existing Use Value (EUV) and Fair Value (FV). This includes PPE Other Land and Buildings valued at EUV; Surplus Assets valued at FV; and Investment Properties valued at FV.

We recognise that the management and the Council's specialist require a significant further time to re-evaluate the valuations. Further time would also be required for both the audit team and EY valuation specialist to consider revised valuations. Having considered the statutory backstop date of 28 February 2025, we concluded that we have insufficient time to further consider representations from the valuer on key inputs and assumption which we have challenged as being inaccurate as part of the audit. We also have insufficient time to consider whether potential errors are more pervasive across the untested population. Consequently, we did not carry out any additional procedures, and the audit team has ceased testing the remaining audit team samples.

We identified no issues with the valuation of assets carried at depreciated replacement cost.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also have considered any specific changes to assets that have occurred and whether these have been communicated to the valuers;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, or assessing comparative market information);
- ▶ Challenged key assumptions used by the valuers;
- ▶ Reviewed PPE assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered the potential impact of current economic environment on valuation uncertainties while also evaluating the need to involve our internal specialist valuations team;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

Areas of Audit Focus

Area of audit focus: Pension Liability Valuation

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

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024 this totalled £7.775 million.

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.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council
- Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What is the status of our work?

We have received the results from our internal pensions specialists from their review of the roll-forward of the Local Government Pension Scheme. Their work identified a material misstatement in the gross pensions liability figure as reported as at year end, due to errors in the demographic assumptions and inflation experience figures used by the Actuary. This was not an error by the Council. The impact is a £4.698m overstatement to the net pension liability.

The Council has obtained an updated IAS 19 Report from the Actuary and has posted the necessary adjustments through the financial statements.

We have received the report from the Hampshire Pension Fund audit team in relation to their assurances over the information supplied to the actuary to enable the calculation of the valuation of the gross pension asset and liability at year end. There are no significant matters arising from this report



03 Value for Money

Value for Money

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

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

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the 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

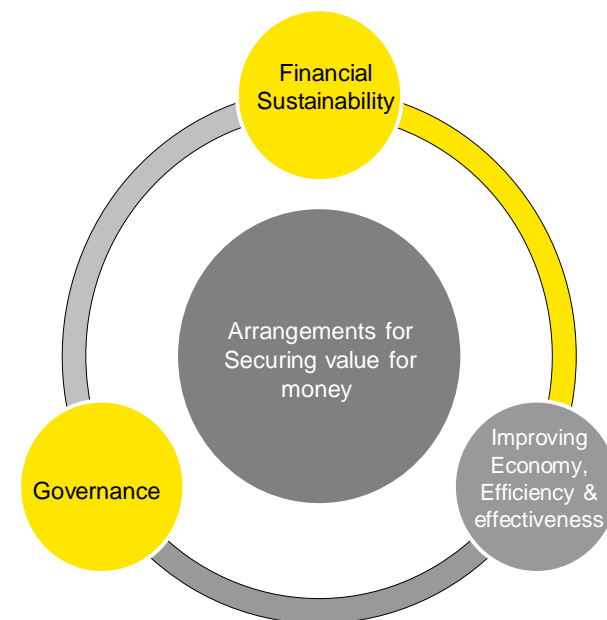
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

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.

We have completed our detailed VFM work and identified a risk of significant weakness as documented on the next page.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?

An external review of the Council's arrangements to assess and ensure compliance with legal and regulatory requirements for all Housing Revenue Account properties owned or managed by the Council resulted in an overall rating of no assurance. The review considered asbestos management, electrical safety, fire safety, gas and heating safety, lift safety and water hygiene. The review concluded that:

- The Council does not have an effective assurance framework or risk management framework to ensure its legal and regulatory obligations in respect of its housing stock is being achieved. Fundamentally, there is a disconnect between strategic and operational levels.
- Data is currently held in multiple systems meaning that the Council does not have a single consolidated record that allows it to distinguish between different property types and tenures. Compliance programmes are managed through a variety of different systems, many of which do not interact with one another and the Council does not have full ownership and control of all data and records, with many records being held on contractor portals.

There is therefore a risk that the Council cannot demonstrate that it is meeting relevant legal and regulatory requirements and ensuring tenant safety.

What arrangements did this impact?

Governance:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls,
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

What did we do?

Our approach focused on:

- A consideration of the significance of the findings of the external review.
- Understanding the action being taken by the Council to address the weaknesses identified.

Findings

We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report which we expect to issue in May 2025. Based on our work undertaken to date we are likely to conclude that the Council has adequate arrangements for governance except for the arrangements set out in the table above.



04 Audit Report

Audit Report

Expected modification to the audit report

As reported in our 2022/23 Audit Completion Report to Those Charged with Governance (dated 8 November 2024), we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover Local Government audit.

We anticipate completing our planned programme of work for 2023/24, but because of the gaps in assurance from 2022/23 we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. We did not plan to rebuild this assurance in our 2023/24 audit.

Taken together with the requirement to conclude our work by the 2023/24 backstop date set by legislation, the lack of evidence over these movements and balances mean we are unable to conclude that the Authority's 2023/24 financial statements are free from material and pervasive misstatements.

We therefore will be issuing a disclaimed 2023/24 audit opinion.

The form and content of the Audit Report will be shared with the Section 151 officer to enable you to formally authorise the 2023/24 financial statements for issue.



05 Audit Differences



Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £1,635k which have been corrected by management that were identified during the course of our audit :

- A net decrease of £4,968k to Pension Liability due to incorrect change in demographic assumptions and inflation experience used by the Actuaries (Hymans Robertson)
- A decrease in Council Dwellings of £9,923k, impacting CIES by £5,972k

Throughout the course of our audit, we identified small number of disclosure adjustments which have been corrected by the management.

Audit Differences (cont'd)

Summary of adjusted differences

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

	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Uncorrected misstatements 31 March 2024 (Currency'000)						
Errors						
Factual differences:						
► NIL net book value vehicle, plant and equipment that no longer exists			2,570 (2,570)			
► Understatement of payable accruals		240		167	(407)	
Reclassification differences:						
► Long-term to short-term borrowings					(230)	230
► Grants received in advance to short-term creditors					(631)	631
Balance sheet totals			-	167	(1,268)	861
Income effect of uncorrected misstatements		240				
Uncorrected disclosure misstatements						

Note 13 Defined benefit pension schemes: Details of the Virgin Media Case was not disclosed

Note 14 Property, plant and equipment: Extrapolated overstatement of the gross book value of vehicles, plant, and equipment, and accumulated depreciation related to assets with a net book value of £2,446k. This has no net impact on the carrying value of assets on the Council's balance sheet.

Note 28 Accounting policies for Heritage Assets, Operating Leases and Finance Leases are not included in the accounts

A number of immaterial adjustments in the disclosure notes and associated narrative were also requested.



06

Assessment of Control Environment

Assessment of Control Environment




Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal controls. We have not identified any significant deficiencies, but have included a number of recommendations for improvement in the control environment noted during the audit.

The table below provides an overview of the ‘high’ ‘moderate’ and ‘low’ rated observations we have from the 2023/24 audit (including IT controls).

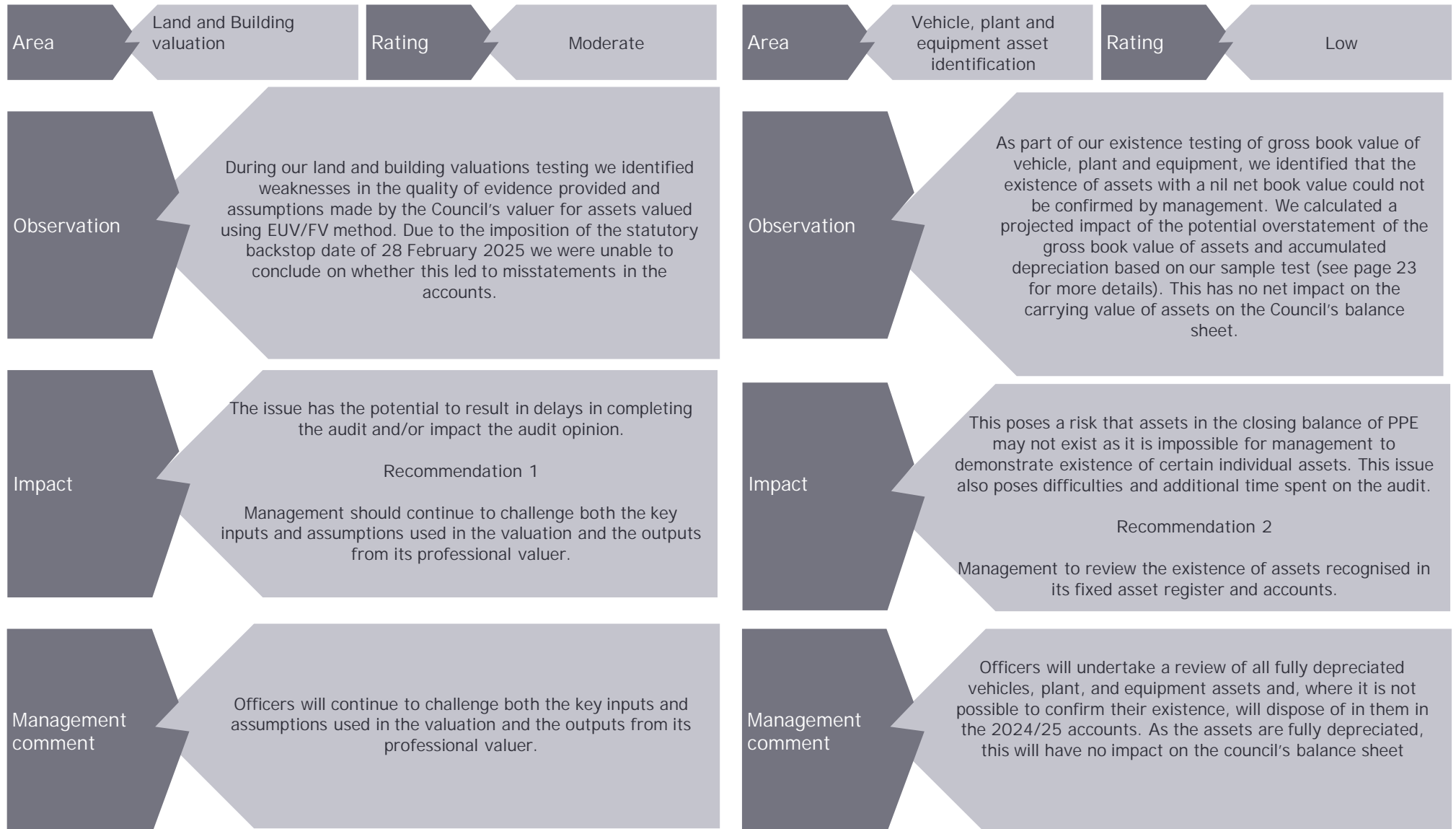
	High	Moderate	Low	Total
New points raised in 2023/24	0	1	1	2

Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6–12 months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment (cont'd)





07

Other Reporting Issues

Other Reporting Issues

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

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

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

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

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

Whole of Government Accounts

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

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

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

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

Other Reporting Issues (cont'd)

Other matters

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

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

Information was received during the course of the audit that indicated the potential for non-compliance with laws and regulations. Due to the imposed backstop date, we were unable to perform sufficient further audit work to determine whether this matter has any impact on the financial statements.

Other than matters already reported in this Audit Results Report, we have no other matters to report.

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

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

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

Other Reporting Issues (cont'd)

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

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24. The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

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

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

Audit Procedures	Audit findings and conclusions
<p>We performed the following procedures:</p> <p>We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has five relevant IT applications for the purposes of ISA 315 risk assessment (Civica, Access, CIPFA Asset Management, Northgate and Orchard)</p> <p>We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT dependent manual controls, where we do not gain assurance substantively, we performed additional procedures to assess:</p> <ul style="list-style-type: none">▶ Manage vendor supplied changes▶ Manage security settings▶ Manage user access▶ Job scheduling and managing IT	<p>Our work in this area is complete. Based on the procedures performed, no significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process.</p> <p>We have not tested the operation of any controls through this review.</p>



08

Independence

Independence - Relationships, services and related threats and safeguards

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

Relationships

There are no relationships from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 28 June 2024: [ey-uk-2024-transparency-report.pdf](https://www.ey.com/en_uk/audit/assurances/ey-uk-2024-transparency-report)

Independence - Fees

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

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

A breakdown of our fees is shown in the table to the right.

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

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

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

	Current Year	Note ref	Prior Year
	£m		£m
Scale fee	£157,826	(1)	£52,379
Additional Work not considered by the scale fee to comply with the requirements of ISA (UK) 315 (Revised)	TBC	(2)	-
Additional work not considered by the scale fee to assess the council's adoption of IFRS 16 and to consider related disclosures in the financial statements	TBC	(2)	-
Other scale fee variations due to the issues identified through the audit	TBC	(3)	-
Total audit	TBC		TBC

All fees exclude VAT

(1) Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) Following the completion of the 2023-24 work a final proposed fee will be determined. As explained in our Audit Planning Report, for 2023-24 the planned fee represents the base fee, i.e. not including any extended testing. We will estimate the impact of the additional audit procedures performed that were specifically referenced as not being within the scale fee set by PSAA in their fees consultation for 23/24. This will include (i) to respond to the requirements of ISA315 (ii) to respond to the additional audit risks in relation to the IFRS 16, and then any other areas where the audit work required was additional to the scope planned within the scale fee.

All additional scale fee adjustments are subject to PSAA approval



09 Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 4 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit. We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment – Land and buildings (EUV/FV)	None	We have completed testing of the 2023/24 additions and disposals to the fixed asset register and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV method. Due to the imposition of the statutory backstop date of 28 February 2025 we were unable to conclude on whether this led to misstatements in the accounts.
Property, Plant and Equipment – Land and buildings (DRC) and Council Dwellings	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Property, Plant and Equipment – Non-land and buildings	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Investment Property	None	We have completed testing of the 2023/24 additions and disposals to the fixed asset register and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV method. Due to the imposition of the statutory backstop date of 28 February 2025 we were unable to conclude on whether this led to misstatements in the accounts.
Heritage Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Cash Equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Investments (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Short-term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short-term Creditors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Grants received in advance	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Pension Scheme Liability	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Other Disclosures	Partial	We expect to gain partial assurance - as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded are accurate.
Cash Flow Statement	Partial	We have tested all Cash Flow movements arising from 2023/24 transactions but, as we do not have assurance over movements across the disclaimed period, and therefore the opening balance for 2023/24, we do not have full assurance over the Cash Flow Statement at 31 March 2024.
Reserves	None	We have completed our work on the movements in reserves in 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
Comprehensive Income and Expenditure Statement	Partial	We have completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Collection Fund	Partial	We have completed our planned work in this area for 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded are accurate.
Housing Revenue Account	Partial	We have completed our planned testing on the Housing Revenue Account in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.

Appendix B - Required communications with the Audit Committee

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The planned use of internal audit • The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report- 16 April 2024
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report- February 2025

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

Our Reporting to you

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

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

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report- February 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report- 16 April 2024; Final Audit results report- February 2025
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report- February 2025

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

Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report- February 2025
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report- February 2025
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report- February 2025
System of quality management	<ul style="list-style-type: none"> How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit results report- February 2025
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report- February 2025
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report- February 2025

Appendix C - Accounting and regulatory update

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee/Board, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Winchester City Council
IFRS 16 Leases	<ul style="list-style-type: none">• CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.• Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.• Lease liabilities and right of use assets will be subject to more frequent remeasurement.• The standard must be adopted by 1 April 2024 at the latest	<ul style="list-style-type: none">• We have assessed the Council's readiness to implement IFRS 16 as part of our 2023/24 programme of work. That assessment considered:<ul style="list-style-type: none">• The Authority's processes to collect the required data.• Whether reasonable accounting policy choices had been made.• Whether relevant finance staff are familiar with the requirements of the CIPFA Code in this area and training has been provided.• The transitional and ongoing accounting arrangements that have been established.• Systems and processes to establish and distinguish between lease remeasurements and modifications.• Based on this assessment we have concluded that the Authority has reasonable arrangements in place to support the adoption of IFRS 16 in 2024/25.

Appendix C – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Final reviews by manager and partner	There are a number of area of execution that are subject to manager and partner review and there may be further matters arising from the review process. We have not listed each of the areas in detail here.	EY
Annual Report and accounts	Review of the final version of the financial statements to ensure all adjustments have been made correctly Incorporation of EY review comments on disclosure notes	EY and management
Management representation letter	Receipt of signed management representation letter	EY, Management and audit and governance committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited.

Appendix E – Management representation letter

Management representation letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young

R+ Building
2 Blagrove St
Reading
RG1 1AZ

This letter of representations is provided in connection with your audit of the financial statements of Winchester City Council ("the Council") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of financial position of Winchester City Council as of 31 March 2024 and of its financial performance and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20x23/24.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. |
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Appendix E – Management representation letter (cont'd)

Management representation letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the financial statements.

4. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting at the date of this letter.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

7. We have disclosed to you, and 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, including all covenants, conditions or other requirements of all outstanding debt.

8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate, and (2) ransomware

attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Going Concern

1. Note 6 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment properties, and pension liabilities and have adequately considered the qualifications of the specialists in

Appendix E – Management representation letter (cont'd)

Management representation letter

determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Estimates

Property, plant and equipment, investment properties and net pension liability

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties and net pension liability have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant and equipment, investment properties and pension liability.
3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties and net pension liability appropriately reflect our intent and ability to carry out valuations on behalf of the Council.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties and net pension liability estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Director of Finance/S151 officer)

(Chairman of the Audit Committee)

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ED None

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