

Appendix B. Status of audit testing 2023/24

Primary Statement						
Balance Sheet						
Financial Statement Line Item	Status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Property Plant and Equipment (PPE) – Opening balance		n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> No testing was performed. The audit opinion for Medway Council for financial years 2021/22 & 2022/23 have been subject to backstopped audit opinions. For 2023/24, we were therefore unable to rely upon audited brought forward balances from the 2022/23 financial year audit. We considered the practicalities of completing the 2023/24 audit engagement with the best assurance we can obtain in the timescale. Given the disclaimer of opening balances, our focus for the 2023/24 audit was in-year transactions and closing balance testing where possible. We plan to regain the assurance we need over future audit periods.
PPE – Additions & REFCUS		39	32	-	7	<ul style="list-style-type: none"> Our testing of 39 sample items included: 5 infrastructure assets, 10 REFCUS items and 24 Additions across other areas of PPE. The 7 Inconclusive samples represent samples where the evidence provided to the audit team was insufficient evidence to conclude the samples. For example, we noted a sample with a value of £642k which related to the Council capitalising borrowing costs. Whilst this is in line with the CIPFA code, where there is a qualifying asset, the Council's accounting policy states that <i>"The Authority does not capitalise borrowing costs incurred whilst assets are under construction"</i>. Additionally, even though the project would qualify as a qualifying asset, no specific funding had been taken out to fund the project. This made the 'borrowing costs' capitalised unclear. Therefore, we challenged management's treatment on this addition. From the information provided, further challenge was required. Given this, we are unable to draw finalised conclusions from the work performed to date on this line item
PPE – Disposals (and the associated gain/loss on disposal)		9	9	-	-	<ul style="list-style-type: none"> Management provided appropriate support for the 9 disposals selected for testing The gain or loss on the sale of assets is calculated as the difference between the net book value at the time of disposal and the sale consideration. The net book value at the time of disposal includes the opening net book value. As we do not have sufficient assurance regarding the accuracy of the opening net book value, we are unable to provide full assurance on the disposals as a whole.
PPE – Revaluation and impairment [Significant risk]		n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> We evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work, we evaluated the competence, capabilities and objectivity of management valuation expert; and wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. Detailed testing of samples of individual asset revaluation was not performed as agreed with management. PPE revaluation testing is inherently time consuming. We therefore agreed with management that we would prioritise our work in areas that we were most likely to be able to complete in the time available. Given this, we are unable to draw finalised conclusions from the work performed to date on this line item

Assessment

- [Grey] We were unable to fully test the balance/transaction.
- [Teal] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Purple] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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Heritage assets		5	5	-	0	<ul style="list-style-type: none"> No material issues noted from testing of Heritage assets The value of the five assets selected for testing agreed to their corresponding insurance certificates.
Investment Property valuations [Significant risk]		n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> We evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work, we evaluated the competence, capabilities and objectivity of management valuation expert; and wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. Detailed testing of samples of individual asset revaluation was not performed as agreed with management. Valuation testing is inherently time consuming. We therefore agreed with management that we would prioritise our work in areas that we were most likely to be able to complete in the time available. Given this, we are unable to draw finalised conclusions from the work performed to date on this line item
Assets Held for Sale <1 year		n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> Detailed testing of samples of individual asset was not performed as agreed with management. Given this, we are unable to draw finalised conclusions from the work performed to date on this line item
Short- & Long-term debtors (Including Completeness testing)		79	63	-	16	<ul style="list-style-type: none"> The samples selected for testing can be broken down to; 19 sample items for Short- & Long- term debtors as per the balance sheet, 25 sample items from the Council's bank statement and 35 sample items from invoices raised by the Council post year-end. The inconclusive samples relate to sample items where there are unresolved queries with management on the nature of the items due to insufficient evidence and/or further queries with the samples and/or where no evidence was provided. Given this, we are unable to draw finalised conclusions from the work performed to date on this line item
Short- & Long-term Creditors (Including Completeness testing) [Significant risk]		108	44	1	63	<ul style="list-style-type: none"> The samples selected for testing can be broken down to; 58 sample items for Short- & Long- term creditors as per the balance sheet, 25 sample items from the Council's bank statement and 25 sample items from invoices received by the Council post year-end. The failed sample relates to the completeness testing where an invoice was received by the Council of £20k which related to the 2023/24 financial year but was not accrued accordingly. The Council's accrual limit is £500 which we recommend should be reviewed. The inconclusive samples relate to sample items where there are unresolved queries with management on the nature of the items due to insufficient evidence and/or further queries were required as part of the sample testing and/or where no evidence was provided. Given this, we are unable to draw finalised conclusions from the work performed to date on this line item

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Balance Sheet						
Financial Statement Line Item	Status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Short- & Long-term investments		4	4	-	-	<ul style="list-style-type: none"> No material issues noted from testing of treasury investments The four investments selected for testing agreed to corresponding third party confirmations and were deemed appropriately classified.
Cash & Cash Equivalents		n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> We reviewed the Council's bank reconciliation for the four Council accounts and 8 schools. We identified that that the schools carry out their bank reconciliation before the year-end (i.e 25 March). This led to larger than expected variances between the bank reconciliations carried out by the schools, and the information provided by the third-party banks. On the Council's bank reconciliation, we identified long standing bank reconciling items some dating back to 2022. Reconciling items need to be cleared on a timely basis. We also identified differences in reconciling items selected for testing. We sought to obtain assurances over the opening cash position (i.e. balance as 31.03.2023), as we consider cash a sensitive balance. This area of testing was not completed in time as we have not received the opening balance bank confirmation from the bank to perform the required work.
Short- & Long-term Borrowing		79	79	-	-	<ul style="list-style-type: none"> No material issues noted from the testing of borrowings Selected items for testing agreed to corresponding third party confirmations and were deemed appropriately classified.
Pensions Liability [Significant risk]		n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> We evaluated management's processes and assumptions for the calculation of the estimate, the work performed by the actuary experts, the scope of their work. We evaluated the competence, capabilities and objectivity of management expert; We reviewed the IFRIC 14 assessment carried out carried out by management expert. However, from our planned audit procedures, we are unable to gain assurances over year-on-year movements, interest costs, interest on assets, actual return on asset, share of assets and service costs. This is due to disclaimer on prior year balances , resulting in a no assurance over opening balances. Given this, we are unable to draw finalised conclusions from the work performed to date on this line item.
Usable & Unusable Reserves		n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> Due to the unaudited opening balance, we could not design adequate audit procedures to provide the necessary assurance on the accuracy of reserve movements and associated 2023/24 opening balances, particularly concerning the Capital Adjustment Account and Capital Financing reserves. Consequently, we are unable to draw to a conclusion based on the work conducted thus far.

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B. Status of audit testing 2023/24

Primary Statement						
Comprehensive Income and Expenditure Statement						
Financial Statement Line Item (Expenditure)	Status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Employee benefits expenses		50	50	-	-	<ul style="list-style-type: none"> The sample of 50 employee benefit samples can be broken down to; 12 starters, 12 leavers, 5 school payroll cost, 16 council staff cost and 5 other payroll cost. Audit work was also carried out on Senior officers' remuneration disclosure, Officers with remuneration over £50k and exit packages. Disclosure amendments were noted on review which will require appropriate changes in the financial statements as discussed with management. Therefore, whilst no significant issues have been identified with the sample testing, we have highlighted the status as 'Teal' as we were unable to reconcile the listings provided for sampling testing to the financial statements.
Other services expenses		247	103	1	143	<ul style="list-style-type: none"> The inconclusive samples relate to sample items where there are unresolved queries with management on the nature of the items due to insufficient evidence and/or further queries were required as part of the sample testing and/or where no evidence was provided. A large proportion of inconclusive samples relate to Children & Adult expenditure where we deemed initial evidence provided by management team as insufficient. The failed sample item relates to a 2022/23 expenditure value of £744 where it has been incorrectly recorded in 2023/24 financial year. The sample value is above the Council's £500 accrual limit hence deemed a failed item. We are unable to draw finalised conclusions from the work performed to date on this line item.
Depreciation, amortisation and impairment		n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> Our ability to provide full assurance over the depreciation expense for the current year is significantly impacted by the absence of audited prior year accounts. The lack of audited financial statements for prior years presents challenges in assessing the accuracy of the historical cost, useful life, and residual value of PPE, which are essential factors in calculating depreciation expense for the current year. We considered alternative procedures and concluded that it is not feasible to go back over prior year transactions to perform work on depreciations given constrained audit and authority time and resources. Therefore, we are unable to perform alternative procedures to estimate and verify the accuracy of depreciation in the current year.

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Financial Statement Line Item (Income)	Status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Fees, charges and other service income	Teal	19	19	-	0	<ul style="list-style-type: none"> No material issues noted from testing of Fees, charges and other service income We have highlighted the status as 'Teal' as we were unable to reconcile the listing provided for sampling testing to the financial statements.
Income from council tax and non-domestic rates	Purple	50	50	-	-	<ul style="list-style-type: none"> No material issues noted on testing of collection fund income within the collection fund accounts Sufficient evidence was provided by management.
HRA Income	Grey	n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> The working papers required for testing the HRA accounts within the financial statements was not provided. Therefore, no work has been performed on this area.
Government grants and contributions	Teal	31	24	-	7	<ul style="list-style-type: none"> The inconclusive samples relate to sample items where there are unresolved queries with management on the nature of the items due to insufficient evidence and/or further queries were required with the samples.
Other areas of testing						
Journals testing [Significant risk]	Grey	40	17	-	23	<ul style="list-style-type: none"> The inconclusive samples relate to sample items where there are unresolved queries with management on the nature of the items due to insufficient evidence and/or further queries were required with the samples.
Group accounts	Grey	n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> We received the group accounts on the 27 November 2024. The associated working papers required for testing was not provided in time for us to perform the required testing. Therefore, no work has been performed on this area.
IT audit review - Integra Centros	Purple	n/a	n/a	n/a	n/a	<ul style="list-style-type: none"> We performed detailed IT general controls assessment (design and implementation effectiveness) on Integra Centros. Our work found the IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope.

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