

Castle Point Borough Council

Audit Results Report - Final
Year ended 31 March 2025
26 February 2026



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26 February 2026



Audit & Governance Committee
Castle Point Borough Council
Kiln Road, Thundersley
Benfleet
SS7 1TF

Dear Audit & Governance Committee Members

2024/25 Audit Results Report - Final

We attach our Final Audit Results Report, summarising the final status of our audit following the meeting of the Audit & Governance Committee.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Castle Point Borough Council's (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Audit & Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We 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. We draw Audit & Governance Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

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

Yours faithfully

A handwritten signature in blue ink that reads "MARK HODGSON". The signature is written in a cursive, slightly slanted style.

Mark Hodgson

Partner, For and on behalf of Ernst & Young LLP

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Contents

- 01 Executive Summary
- 02 Areas of Audit Focus
- 03 Value for Money
- 04 Audit Report
- 05 Audit Differences
- 06 Assessment of Control Environment
- 07 Other Reporting Issues
- 08 Independence
- 09 Appendices

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.psa.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 & Governance Committee and Management of Castle Point Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee and Management of Castle Point Borough 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 & Governance Committee and Management of Castle Point Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary – Context for the audit

Context for the audit - Measures to address local audit delays

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

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

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

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

As reported in our 2023/24 Audit Completion Report issued on 18 February 2025, we issued a disclaimer of opinion on the Council's financial statements for 2021/22 and 2022/23 due to issues identified in 2020/21 which called into question the integrity of members of senior management of the Council who remained in post during 2022/23. We were also unable to commence any work to rebuild assurance ahead of the 2023/24 backstop date, as the Council did not publish the draft financial statements in sufficient time to support the audit and provide audit evidence in line with agreed deadlines. 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 were unable to conclude that the 2023/24 financial statements were free from material and pervasive misstatements. We therefore issued a disclaimed 2023/24 audit opinion.

In 2024/25, we have continued to audit the Council's closing Balance Sheet and in-year transactions. Although the planned level of assurance that we will gain will increase, we will not obtain sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2021/22, 2022/23, and 2023/24 financial statements, we do not have assurance over the brought forward balances from 2023/24 (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement. We therefore plan to issue a disclaimed 2024/25 audit opinion.

Executive Summary – Context for the audit (continued)

Context for the audit - Measures to address local audit delays (continued)

Appendix A sets out the current position of the Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

Scope update

In our Provisional Audit Plan, dated 10 April 2025 and presented to the Audit & Governance Committee on the 25 June 2025, 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 updates to our planned procedures and approach:

- We recognised an additional fraud risk around the collectability of Government Department Debtors, specifically in relation to grants receivable. During the 2024/25 audit, the audit team were informed of a potential material misstatement in the financial statements due to the ability to recover £1.80 million of grant scheme monies from a Government department and the subsequent recording of a receivable, on basis that the Council would be able to recover it from the Government department, although the grant scheme was already closed.
- Changes in materiality: In the Audit Plan, we reported that planning materiality had been set at £0.860 million which represents 1.5% of 2023/24 gross expenditure on the provision of services. Due to the addition of the above fraud risk, we now assess that this should be £0.531 million which represents 1% of the same basis for 2024/25. This results in updated performance materiality, at 50% of overall materiality, of £0.265 million (Audit Plan - £0.430 million), and an updated threshold for reporting misstatements of £27,000 (Audit Plan - £43,000).

This has meant that the level of resources required to complete the planned audit procedures of the closing Balance Sheet and in-year transactions were significantly more than the resources initially allocated. This will result in a Scale Fee Variation submission. The timeline of the audit was also extended to continue through to February 2026.

Executive Summary

Status of the audit

Our audit work in respect 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:

Closing Procedures:

- Receipt of letter of representation from Management
- Subsequent events procedures
- Final Manager and Partner reviews.

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

Our final audit opinion wording is set out in Section 04.

Value for Money

In our Audit Plan dated 10 April 2025, we reported that we had not completed our value for money (VFM) risk assessment but that we will be considering previously reported significant weaknesses as a risk of significant weakness for 2024/25 and review progress of Management's implementation of our recommendations in these areas.

Having updated and completed the planned procedures in these areas, we did identify two significant weaknesses. See Section 03 of the report for further details.

Audit differences

Uncorrected Differences:

- Balance Sheet - £89,758 understatement in Short Term Creditors due to failure to accrue for service rendered within 2024/25 but not yet invoiced at year-end.
- Balance Sheet - £70,329 projected overstatement in Short Term Creditors due to one invoice recorded as a 2024/25 balance related to 2025/26.
- Comprehensive Income and Expenditure Statement - £91,100 overstatement in Other Service expenses in the current year due to the erroneous recording of the External Audit fee for Housing Benefits claim relating to prior year.
- Comprehensive Income and Expenditure Statement - £90,505 projected overstatement in Housing Expenditure in the current year due to the erroneous recording of expenditure relating to the prior year.
- Comprehensive Income and Expenditure Statement - £88,184 projected overstatement in Other Service expenses in the current year due to the erroneous recording of expenditure relating to the prior year.

Executive Summary (continued)

Audit differences (Continued)

Corrected Differences:

- 2023/24 Balance Sheet - £1.800 million overstatement in Short Term Debtors as of 31 March 2024 due to the recognition of a receivable from another government entity which prior to the finalisation of the financial statements was already confirmed to be uncollectable. 2024/25 Comprehensive Income and Expenditure Statement - Fees, charges and other service income - was also understated by £1.800 million because Management reversed the Short-Term Debtor in the current year which was recorded as a decrease in income.
- Balance sheet - Short Term Creditors - £0.181 million understatement in Short Term Creditors and Property, Plant and Equipment due to an error in calculation of the works done for the Paddocks refurbishment completed by the year end. Since the asset was revalued as of 31 March 2025, the increase in Property, Plant and Equipment should be subsequently be reversed to bring the asset back to the revalued amount at year-end and charged as a revaluation loss.
- Balance Sheet - £1.422 million overstatement in Property, Plant and Equipment (Land and Buildings) due to a judgmental difference in valuation of two properties resulting from the assumptions used by Management's valuer and our specialist.
- Balance Sheet - £0.135 million understatement in Property, Plant and Equipment (Additions) due to erroneously recording Grant Income as a credit to Additions.
- Comprehensive Income and Expenditure Statement - £45,218 overstatement in Other Service expenses in the current year due to the erroneous recording of expenditure relating to 2025/26.

Disclosure Differences:

Various disclosure adjustments have been identified during the course of our work, including within Capital Commitments and Post-Employment Benefits and the Net Pension Liability. Management have also agreed to correct the casting and consistency misstatements in the draft financial statements. Further details can be found in Section 05.

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.

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. The Council is not above the HM Treasury's threshold for WGA reporting of £2 billion, so only limited procedures are required. We have yet to be notified of whether the NAO require any additional procedures in respect of the 2024/25 WGA submission. We cannot issue our Audit Certificate until we receive this notification.

During the audit we became aware of instances of potential 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.

Statutory Recommendations

We are conscious that the Council has been subject to a significant number of external regulator reviews, External Investigator reviews, together with the significant weaknesses that we have identified both in this current 2024/25 audit year, but prior audit years. Taken together, these reviews have given rise to a significant number of recommendations, and whilst we can see forward momentum in how the Council is led, we consider that the Council needs to ensure that all of these recommendations are appropriately addressed, actions implemented and that progress subject to regular monitoring and scrutiny.

We are therefore minded to issue a Statutory Recommendation to ensure the Council keeps focus across all of these critical areas of Council business. See Section 07 for further detail.

Executive Summary (continued)

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 the 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.

Risk	Status of our work
Misstatement due to fraud or error	We have performed all planned procedures. We have no matters to report.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<p>We have completed our planned procedures. We have noted the following misstatements:</p> <ul style="list-style-type: none"> £0.181 million understatement in Additions due to an error in calculation of the works done for the 'Paddocks refurbishment' completed by end of the year. Since the asset was valued as of 31 March 2025, the increase in additions is reversed to bring the asset back to the revalued amount and charged as a revaluation loss. £0.135 million understatement in Property, Plant and Equipment (Additions) due to erroneously recording grant income as credit to additions. <p>There are no other issues to report to date.</p>
Pension valuation (asset or liability)	We have completed our planned procedures for this area. We identified some minor disclosure changes. There were no other matters.
Collectability of Government Debtors, specifically Grants Scheme receivables (New Fraud Risk).	We have completed our planned procedures for this area. We have concluded that there is a £1.8 million overstatement in Short-Term Debtors as of 31 March 2024, due to the recognition of receivable from another government entity which was uncollectable at the 31 March 2024 balance sheet date. No other issues to report to date.
Valuation of Property, Plant & Equipment - Other Land and Buildings and Investment Properties	We have completed our planned procedures for this area. We have identified a £1.422 million overstatement in Property, Plant and Equipment (Land and Buildings) due to a judgmental difference in valuation of two properties, resulting from differences in the assumptions used by Management's valuer versus those of our specialist.
IFRS 16 Implementation	Due to the matters arising during the audit that required significant additional work and diverted resources from other planned procedures, we have not been able to complete the planned procedures in this area and have therefore not obtained assurance over the balance at 31 March 2025.

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 & Governance Committee.

Executive Summary (continued)

Control observations

During the audit, we identified the following significant deficiencies in internal control:

- Significant control deficiency was identified regarding the lack of controls around the monitoring of contract and post-completion inspections within the Housing Service which led to a potential fraud against the Council (referred to in our Value for Money in Section 03). The potentially fraudulent amount confirmed by Management £67,000.
- For an item of Capital Grants Received in Advance of £0.252 million, Management were unable to provide sufficient evidence to support the receipt and subsequent disbursements for the grant, nor the assessment of conditions/restrictions of the grant that will determine if they are still entitled to use the balance as of year-end.
- For some Heritage Assets such as civic regalia, other memorials and war memorials, the Council was unable to provide information on the date of valuation of some assets, nor the basis for their values in the financial statements.

See Section 06 for further detail.

Independence

Please refer to Section 08 for our update on Independence.

Executive Summary (continued)

Factors impacting the execution of the audit

Management, and the Audit & Governance Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table below sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures. Where we have been unable to undertake all planned procedures this is likely to extend the timetable to recover assurance on the Council's financial statements. See Appendices A and B for further details.

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Requires improvement			The financial statements were published by the 30 June 2025 deadline set out in the Accounts and Audit Regulations, however, the Annual Governance Statement (AGS) was not included within the financial statements as required. The Council subsequently published the full set of the financial statements, including the AGS, on 14 July 2025.	N/A
Quality and completeness of the draft financial statements	Requires improvement			There were a number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			Requests for year-end working papers were loaded and sent through the EY Canvas Client Portal on 7 July, with due dates of 31 August and 30 September. 53% of the requests were responded to by the due date. As of 30 October, this was at 92%. This has impacted our ability to perform an efficient audit. EY and Management had weekly meetings to discuss priorities while the rest of the requests were outstanding.	N/A
Quality of working papers and supporting evidence	Requires improvement			The quality of the supporting working papers was mixed. A number were prepared by extracting reports from multiple systems, with listings provided with different report run dates. This required significant audit time to collate the listings to be able to select samples for testing. A number of the supporting audit evidence, required multiple calls with a member of the Finance team to understand the working paper. However, some supporting working papers were fully supported with third party evidence and explanations.	N/A

Executive Summary (continued)

Factors impacting the execution of the audit

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness and quality of evidence supporting key accounting estimates	Ineffective			<p>Delays were experienced in the provision of supporting evidence from the Council's valuer for the valuation of Property, Plant & Equipment and Investment Property assets. The quality of evidence and explanations provided were of a poor quality resulting in requests for clarification and further evidence. This resulted in significant delays to the audit process.</p> <p>A Stock Condition Survey which would impact the Council Dwellings' valuation has not yet been completed. The Council commenced this survey in May 2025 as a response to a Regulator of Social Housing's finding. Council Dwellings are valued at £151 million as at 31 March 2025.</p>	We were unable to complete all our planned procedures against the significant risk in this area. See Section 02.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			The Finance team and wider Senior Management have made themselves available to audit personnel throughout the audit process.	N/A
Volume and value of identified misstatements	Requires Improvement			We identified two material misstatements as a result of our work. One of these was linked to our re-assessment of audit risk and drove the lower materiality level that was set.	See Section 05 for details of corrected misstatements. We also consider this further in our VFM reporting in the Auditor's Annual Report
Volume of misstatements in disclosure	Requires improvement			We identified a number disclosure notes where material differences were noted. The disclosures also had to be updated for the impact of corrected adjustments. Casting and consistency errors were also identified which Management corrected.	See Section 05 for details of corrected misstatements. We also consider this further in our VFM reporting in the Auditor's Annual Report



02 Areas of Audit Focus

Areas of Audit Focus

Presumptive risk of management override of controls

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 planned response to the key areas of challenge and professional judgement

We have performed the following:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Obtained understanding 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 whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Considered of 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.
- Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.
- Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

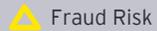
What are our conclusions?

We have performed all planned procedures in this area.

We have no matters to report.

Areas of Audit Focus

Inappropriate capitalisation of revenue expenditure



Fraud Risk

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

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.

Expenditure being classified as 'Revenue Expenditure financed as Capital under Statute' (REFCUS) when it is inappropriate to do so.

Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and / or REFCUS in the financial statements.

Our planned response to the key areas of challenge and professional judgement

We have performed the following:

- Tested Property, Plant and Equipment (PPE) / Investment Property (IP) additions 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 capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- 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.

What are our conclusions?

We have completed our planned procedures. We have noted the following misstatements:

- £0.181 million understatement in Additions due to an error in calculation of the works done for the Paddocks refurbishment completed by end of the year. Since the asset was valued as of 31 March 2025, the increase in additions is reversed to bring the asset back to the revalued amount and charged to revaluation loss.
- £0.135 million understatement in Property, Plant and Equipment (additions) due to erroneously recording grant income as credit to additions.

We have no other issues to report.

Areas of Audit Focus

Pension Valuation

Significant Risk

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.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Financial statement impact:

The Council's net Pension Fund balance has changed from £12.40 million liability as of 31 March 2022 to £18.43 million asset as of 31 March 2023 and again to £1.30 million liability as of 31 March 2024.

Accounting for this scheme is a sensitive item and involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Due to the changes in net asset/liability position, the level of balances involved and the impact of potential errors in assumptions, we consider this as significant risk. We also need to consider if the application of asset ceiling in the estimate is appropriate, if relevant to the year end balance.

Our planned response to the key areas of challenge and professional judgement

We have performed the following:

- Liaised with the auditors of Essex 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
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

We have completed our planned procedures for this area.

We identified a limited number of minor disclosure note changes required in the financial statements.

We have no other matters to report.

Areas of Audit Focus

Collectability of Government grants receivable (New Risk)

▲ Fraud Risk

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

During the 2024/25 audit, the audit team were informed of a potential material misstatement in the financial statements due to the ability to recover £1.80 million of grant scheme monies from a Government department and the subsequent recording of a receivable, on basis that the Council would be able to recover it from the Government department, although the grant scheme was already closed.

Our planned response to the key areas of challenge and professional judgement

We have performed the following:

- Checked the composition government debtors to identify any receivables from other government bodies due to grant income not yet received; and
- Based on the nature of the receivable, assessed the uncollectability and appropriateness of inclusion in the receivable balance as at year-end.

What are our conclusions?

We have completed our planned procedures for this area. We have concluded that there is a £1.8 million overstatement in Short-Term Debtors as of 31 March 2024, due to the recognition of receivable from another government entity which was uncollectable at the 31 March 2024 balance sheet date. No other issues to report to date.

We have no other matters to report.

Areas of Audit Focus

Valuation of Property, Plant & Equipment - Other Land and Buildings and Investment Properties

Inherent Risk

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

The total value of Property, Plant & Equipment - Other Land and Buildings as at 31 March 2024 was £59.0 million and investment properties was £2.3 million. Therefore, valuation of land and buildings represent a significant balance in the Council's accounts.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is therefore a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.

Our planned response to the key areas of challenge and professional judgement

We have performed the following:

- Assessed the design and implementation of controls around the valuation of Land and Buildings.
- Reviewed the Fixed Asset Register to identify properties with higher indicators of risk.
- Considered the competence, capability and objectivity of management's specialists.
- Grouped the assets revalued during the year into strata depending on the nature and valuation basis. Selected a sample of assets based on value and complexity of valuation, ensuring that at least one asset has been selected per stratum.
- Performed a review of the methodology and inputs/assumptions used (e.g. floor plans to support valuations based on price per square metre, yield rates, uncertainty factor, etc.).
- Reviewed movement in value of assets that are not subject to valuation in 2024/25 to confirm that these are consistent with market indices to gain comfort that the remaining asset base is not materially misstated.
- Tested accounting entries have been correctly processed in the financial statements.
- We engaged EY Real Estates to review of inputs and assumptions to valuation of five assets.

What are our conclusions?

We have completed our planned procedures for this area.

We have identified a £1.422 million overstatement in Property, Plant and Equipment (Land and Buildings) due to a judgmental difference in the valuation of two properties, resulting from differences in the assumptions used by Management's valuer and those of our specialist.

Areas of Audit Focus (continued)

Going concern

The provisions of the CIPFA Code of Practice on Local Authority Accounting in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities cannot be created or dissolved without statutory prescription and that they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community, are themselves revenue-raising bodies and the financial reporting framework presumes the continuation of service provision. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. Under the auditing standard in relation to going concern (ISA570), the Council is required to ensure that its going concern disclosure within the financial statements adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

Management's going concern assessment disclosed in the financial statements covers the period up to 31 March 2027 which is more than 12 months from the expected financial statements authorisation date. We plan to issue a disclaimer of opinion on the financial statements, no further audit procedures were performed on the Council's assessment of its going concern.



03 Value for Money

Value for Money

The Council's responsibility for Value for Money (VFM)

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

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

Risk assessment and status of our work

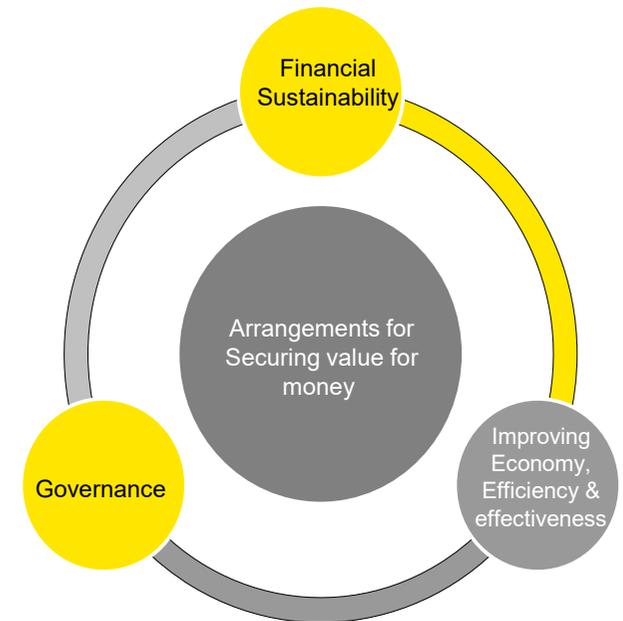
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

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

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

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

We have completed our VFM work and identified four risks of significant weakness as documented on the next two pages.



Corporate Governance (continued)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<p>The Authority has been issued with a regulatory judgment by the Regulator of Social Housing (RSH) regarding very serious failings by the Council in delivering the outcomes of the consumer standards (Reported in 2023/24)</p>	<p>Improving economy, efficiency, and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services:</p> <p><i>How the body evaluates the services it provides to assess performance and identify areas for improvement</i></p>	<p>We reviewed the following documents to assess the steps taken by the Council to address the issue and conclude on whether these are appropriate:</p> <ul style="list-style-type: none"> ▪ Information published by the Regulator of Social Housing with details of the regulatory judgment ▪ Council's Housing Improvement Programme ▪ Investigation report from the external investigator engaged by the Council ▪ Engaged EY Forensics to assess the capacity and independence of the Council's external investigator, as well as the sufficiency of the scope of the work done, methodology and conclusions reached. <p>We concluded that there is a significant weakness in arrangements given the timing of the original notification and impact on the financial year. See Page 24 for further detail.</p>
<p>Weaknesses in procurement and contract management which led to potential fraud against the Council</p>	<p>Improving economy, efficiency, and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services:</p> <p><i>Where the body commissions or procures services, how it assesses whether it is realising the expected benefits</i></p> <p>Governance: how the body ensures that it makes informed decisions and properly manages its risks: <i>How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</i></p>	<p>We reviewed the following documents to assess the steps taken by the Council to address the issue and conclude on whether these are appropriate:</p> <ul style="list-style-type: none"> ▪ Investigation report from the external investigator engaged by the Council ▪ Engaged EY Forensics to assess the capacity and independence of the Council's external investigator, as well as the sufficiency of the scope of the work done, methodology and conclusions reached. <p>We concluded that there is a significant weakness in arrangements. See Page 24 for further detail.</p>

Corporate Governance (continued)

Risk of significant weakness in VFM arrangements (continued)

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<p>Contraventions identified by the Building Safety Regulator in their inspection of the Council's assets in December 2024</p>	<p>Improving economy, efficiency, and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services:</p> <p><i>How the body evaluates the services it provides to assess performance and identify areas for improvement</i></p>	<p>We reviewed the letter from the Building Safety Regulator to assess the significance of the issues raised and the Council's response to the actions noted.</p> <p>We concluded that the overall regulatory judgement and the matters raised with in the regulator's letter are not so significant as to merit a significant weakness in VFM Arrangements.</p>
<p>Financial Reporting</p>	<p>Governance</p> <p><i>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships.</i></p>	<p>We performed an assessment of the risk based on the following:</p> <ul style="list-style-type: none"> • Council's timeliness of reporting; • Impact of other issues identified elsewhere in the audit and how Management addressed these, including our observations noted on pages 11 and 12; and • Misstatements found in the draft financial statements. <p>The Council did publish the 2024/25 draft financial statements in line with the Account & Audit regulation deadline of the 30 June 2025. However, the Annual Governance Statement was omitted from the published statements. The full financial statements (including Annual Governance Statement) were subsequently published on the 14 July 2025.</p> <p>Whilst a number of issues were identified that impacted the quality of the draft financial statements, including the absence of a Stock Condition Survey for Council Dwellings and the a prior-year overstatement of short-term receivables, the support to the audit was improved. The quality of working papers was mixed, as summarised in the table on page 11, as some supporting schedules were unclear or did not explain the item of account, while others were well-evidenced and clearly reconciled to the financial statements. The Finance team remained accessible throughout the audit.</p> <p>On balance, we do not believe that this leads to a significant weakness in the underlying financial reporting arrangements.</p>

Corporate Governance (continued)

Findings

We concluded that there are two significant weaknesses in the Council's Value for Money arrangements, as detailed below.

1. The Authority has been issued with a regulatory judgment by the Regulator of Social Housing (RSH) regarding very serious failings by the Council in delivering the outcomes of the consumer standards

In 2023/24, we reported that the Council has been issued with a regulatory judgment by the Regulator of Social Housing (RSH) regarding 'very serious failings' by the Council in delivering the outcomes of the consumer standard. This was following an inspection completed in December 2024, thereby also impacting the 2024/25 financial year. In the process of addressing recommendations arising from this issue, Management identified additional potential issues in the arrangements around housing repairs. The Council engaged an External Investigator in July 2025, and the work was completed in September 2025. The report highlighted weaknesses affecting governance, financial management and operational controls. Collectively, the weaknesses demonstrate that the Council did not have robust arrangements in place to ensure Housing Service were managed effectively or that public funds were used economically and efficiently.

These weaknesses have impacted on the Council's ability to secure value for money and have increased operational, financial and regulatory risks. Weak governance and oversight have limited the Council's ability to ensure housing services—such as repairs, inspections and compliance activities—were delivered effectively.

The cumulative impact has contributed to increased regulatory scrutiny and requires significant management effort to address. Overall, the weaknesses hinder the Council's ability to secure economy, efficiency and effectiveness in delivering services.

2. Weaknesses in procurement and contract management which led to a potential fraud against the Council.

An external report has identified significant weakness in how the Council commissions, procures and manages contracted services. The weaknesses are systemic rather than isolated, covering tendering practices, supplier selection, contract documentation, monitoring of post-award performance, and governance and oversight structures.

The issues observed collectively demonstrate insufficient controls to prevent fraud and error, and limited ability to ensure that contracts were delivered in line with agreed terms. The deficiencies also highlight inadequate segregation of duties, poor documentation standards, and inconsistent or incomplete scrutiny over contractual decisions.

The weaknesses in the Council's procurement and contract management arrangements have increased the council's exposure to fraud, error and financial mismanagement.

Poor audit trails, weak supplier controls and inadequate oversight create conditions in which inappropriate activity could occur undetected. Inconsistent tendering processes, limited contract monitoring and incomplete documentation reduce assurance over value for money and increase the risk of uncontrolled overspends. Payments were made to an external contractor in 2024/25 that are deemed to be potentially fraudulent.

These deficiencies undermine the Council's ability to justify its financial decisions and demonstrate that services are being delivered in line with agreed budgets and specifications.

Refer to Section 7 (Page 34) for consideration of the use of Statutory Auditor Powers in relation to these matters.

We will issue our VFM narrative commentary in our 2024/25 Auditor's Annual Report which we expect to issue in March 2026.



04 Audit Report

Audit Report

Expected modification to the audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE POINT BOROUGH COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Castle Point Borough Council ('the Council') for the year ended 31 March 2025. The financial statements comprise the:

- ▶ Comprehensive Income and Expenditure Statement,
- ▶ Movement in Reserves Statement,
- ▶ Balance Sheet,
- ▶ Cash Flow Statement,
- ▶ the related notes 1 to 24 including material accounting policy information,
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 4, and
- ▶ Collection Fund Income and Expenditure Statement and the related notes 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to the disclaimers of opinion on the financial statements in the prior years, delays in receiving associated audit evidence in advance of the backstop date and further matters arising during the audit that required significant additional work and diverted resources from other planned procedures, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025.

In addition:

- ▶ A prior period error was identified in relation to the overstatement of receivables as at the 31 March 2024, and an overstatement of grant income in 2023/24, due to the Council's erroneous recognition of a £1.8 million debtor from a government body, despite evidence confirming that the amount was not recoverable.

Audit Report

Expected modification to the audit report

- ▶ The Council reported a Government Grant Received in Advance opening balance of £4.577 million, with a closing balance at 31 March 2025 of £3.471 million. We selected a sample of these grants to confirm the appropriateness of recognition. We were not able to obtain evidence to support all of our samples selected for testing, and we had insufficient time to extend our sample to assess whether this was an isolated error. Given the grant accounting issue noted above, the completion of this work would be considered key to our ability to form an appropriate conclusion about the veracity of the reported closing balance at the 31 March 2025.
- ▶ A Stock Condition Survey which would impact the Council Dwellings' valuation has not yet been completed. The Council commenced this survey in May 2025 as a response to a Regulator of Social Housing's finding. Council Dwellings are valued at £151 million as at 31 March 2025.

Therefore, we are disclaiming our opinion on the financial statements.

The audits of the financial statements for the years ended 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024 for Castle Point Borough Council were not completed for the reasons set out in the disclaimers of opinion on those financial statements dated 2 October 2024, 10 December 2024 and 28 February 2025, respectively.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- ▶ we make written recommendations to the audited body under Section 24 and Schedule 7 (2) of the Local Audit and Accountability Act 2014 (as amended)

Under section 24 of the Local Audit and Accountability Act 2014 (as amended), we may designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We plan to issue a report containing recommendations concerning the Council's corporate governance designated under section 24, linked to the matters set out below.

Audit Report

Expected modification to the audit report

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you if we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025. On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified two significant weaknesses in the Council's arrangements for the year ended 31 March 2025.

Significant weaknesses in arrangements

Regulatory judgment by the Regulator of Social Housing (RSH) regarding very serious failings by the Council in delivering the outcomes of the consumer standards

Our judgement on the nature of the weakness identified

In 2023/24, we reported that the Council has been issued with a regulatory judgment by the Regulator of Social Housing (RSH) regarding 'very serious failings' by the Council in delivering the outcomes of the consumer standard. This was following an inspection completed in December 2024, thereby also impacting the 2024/25 financial year. In the process of addressing recommendations arising from this issue, Management identified additional potential issues in the arrangements around housing repairs. The Council engaged an External Investigator in July 2025, and the work was completed in September 2025. The report highlighted weaknesses affecting governance, financial management and operational controls. Collectively, the weaknesses demonstrate that the Council did not have robust arrangements in place to ensure Housing Service were managed effectively or that public funds were used economically and efficiently.

The evidence on which our view is based

- ▶ Investigation report from the external investigator engaged by the Council
- ▶ Housing Improvement Programme
- ▶ Information published by the Regulator of Social Housing with details of the regulatory judgment

The impact on Castle Point Borough Council

These weaknesses have impacted on the Council's ability to secure value for money and have increased operational, financial and regulatory risks. Weak governance and oversight have limited the Council's ability to ensure housing services—such as repairs, inspections and compliance activities—were delivered effectively.

The cumulative impact has contributed to increased regulatory scrutiny and requires significant management effort to address. Overall, the weaknesses hinder the Council's ability to secure economy, efficiency and effectiveness in delivering services.

Weaknesses in procurement and contract management

Our judgement on the nature of the weakness identified

An external report has identified a significant weakness in how the Council commissions, procures and manages contracted services. The weaknesses are systemic rather than isolated, covering tendering practices, supplier selection, contract documentation, monitoring of post-award performance, and governance and oversight structures.

The issues observed collectively demonstrate insufficient controls to prevent fraud and error, and limited ability to ensure that contracts were delivered in line with agreed terms. The deficiencies also highlight inadequate segregation of duties, poor documentation standards, and inconsistent or incomplete scrutiny over contractual decisions.

Audit Report

Expected modification to the audit report

The evidence on which our view is based

- Investigation report from the External Investigator engaged by the Council

The impact on Castle Point Borough Council

The weaknesses in the Council's procurement and contract management arrangements have increased the council's exposure to fraud, error and financial mismanagement.

Poor audit trails, weak supplier controls and inadequate oversight create conditions in which inappropriate activity could occur undetected. Inconsistent tendering processes, limited contract monitoring and incomplete documentation reduce assurance over value for money and increase the risk of uncontrolled overspends. Payments were made to an external contractor in 2024/25 that are deemed to be potentially fraudulent.

These deficiencies undermine the Council's ability to justify its financial decisions and demonstrate that services are being delivered in line with agreed budgets and specifications.

The action Castle Point Borough Council needs to take to address the weaknesses

As a result of the weaknesses identified above, the Council should consolidate all recommendations from recent regulatory body reports, External Audit reports and External Investigator reports, and create a detailed action plan to enable appropriate monitoring and oversight of the implementation of those recommendations to ensure progress adheres to agreed timelines. Management should monitor this document on a monthly basis and report updates on a quarterly basis to the Audit & Governance Committee and Full Council.

The matters above are evidence of weaknesses in proper arrangements for governance and improving efficiency, economy and effectiveness, specifically how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- ensures effective processes and systems are in place to ensure budgetary control; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency;
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements for example where it procures or commissions services;
- evaluates the services it provides to assess performance and identify areas for improvement; and
- assesses whether it is realising the expected benefits, where it commissions or procures services.

Audit Report

Expected modification to the audit report

Responsibility of the Assistant Director, Finance & Procurement (S151 Officer)

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page [...], the Assistant Director, Finance & Procurement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Assistant Director, Finance & Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director, Finance & Procurement is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Castle Point Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Castle Point Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether Castle Point Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Audit Report

Expected modification to the audit report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Castle Point Borough Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Castle Point Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



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 which have been corrected by Management that were identified during the course of our audit.

- Balance Sheet - £1.800 million overstatement in Short Term Debtors as of 31 March 2024 due to the recognition of receivable from another government entity which prior to the finalisation of the financial statements was already confirmed to be uncollectable. 2024/25 Comprehensive Income and Expenditure Statement - Fees, charges and other service income - was also understated by £1.800 million because Management reversed the Short-Term Debtor in the current year which was recorded as a decrease in income.
- Balance sheet - Short Term Creditors - £0.181 million understatement in Short Term Creditors and Property, Plant and Equipment due to an error in calculation of the works done for the Paddocks refurbishment completed by the year end. Since the asset was revalued as of 31 March 2025, the increase in Property, Plant and Equipment should be subsequently be reversed to bring the asset back to the revalued amount at year-end and charged as a revaluation loss.
- Balance Sheet - £1.422 million overstatement in Property, Plant and Equipment (Land and Buildings) due to a judgmental difference in valuation of two properties resulting from the assumptions used by Management's valuer and our specialist.
- Balance Sheet - £0.135 million understatement in Property, Plant and Equipment (Additions) due to erroneously recording Grant Income as a credit to Additions.
- Comprehensive Income and Expenditure Statement - £45,218 overstatement in Other Service expenses in the current year due to the erroneous recording of expenditure relating to 2025/26.

Disclosures differences:

- **Capital Commitments** - the amount disclosed was increased to £3.066 million from £2.890 million in the draft accounts following a full review of the listing which identified misstatements in some contracts.
- **Post-Employment Benefits and Net Pension Liability** - Management disclosed the potential impact of the Virgin Media Case on the financial statements.

Audit Differences (continued)

Summary of Unadjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by Management.

Action: We ask that the Audit & Governance 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 & Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements - Factual differences 31 March 2025 (£'000)	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)
Errors						
Known differences:						
Understatement in Short term creditors due to failure to accrue for service rendered within 2024/25 but not yet invoiced at year-end.		89,758			(89,758)	
Overstatement in Other services expenses in the current year due to recording of audit fee for housing benefits claim pertaining to prior year		(91,100)				
Projected differences:						
Projected overstatement in Short-Term Creditors due to one invoice amounting to 102 recorded as part of Creditors at year-end but is pertaining to 2025/26.		(70,329)			70,329	
Projected overstatement in Housing Expenditure in the current year due to two invoices tested totalling £1,770 that are pertaining to prior year		(90,505)				
Projected overstatement in Other services expenses in the current year due to two invoices tested totalling £451 that were pertaining to prior year		(88,184)			88,184	
Balance Sheet totals			0		68,755	0
Cumulative effect of uncorrected misstatements, after turnaround effect	0	(250,360)				

We noted two misstatements that are material to the presentation and disclosures of the financial statements for the year ended 31 March 2025:

- Overstatement in Debtors as of 31 March 2024 due to the recognition of receivable from another government entity which prior to the finalisation of the financial statements was already confirmed to be uncollectable.
- Overstatement in Property, Plant and Equipment (Land and Buildings) due to a judgmental difference in valuation of two properties resulting from the assumptions used by Management's valuer and our specialist.
- The total impact of uncorrected misstatements on the Income Statement is not material.

We will consider the aggregate impact of these errors on the basis of opinion for 2024/25.



06

Assessment of Control Environment

Assessment of Control Environment (continued)

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 control.

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Significant control deficiency was identified regarding the lack of controls around the monitoring of contract and post-completion inspections which led to a potential fraud against the Council (referred to in our Value for Money in Section 03). The amount confirmed by Management to have been paid in 2024/25 without the work being done or being poorly done was £67,000.	High			The Council should undertake a comprehensive review of the Council's procurement and contract management policies and procedures and implement robust controls to prevent a recurrence of the failings identified by the investigator. Establish effective monitoring mechanisms to ensure these controls are consistently applied and operating as intended.	Management accepts the recommendation.
For an item of Capital Grants Received in Advance of £0.252 million, Management were unable to provide sufficient evidence to support the receipt and subsequent disbursements for the grant, nor the assessment of conditions/restrictions of the grant that will determine if they are still entitled to use the balance as of year-end.	Moderate			The Council should implement a robust monitoring process of grants schemes - including grant monies received, the conditions and restrictions of each grant, the amount spent under those conditions, with the supporting evidence for each scheme.	Management accepts the recommendation.
For some Heritage Assets such as civic regalia, other memorials and war memorials, CPBC were unable to provide information on the date of valuation of some assets, nor the basis for their values in the financial statements.	Low			The Council should review their Heritage Assets listing and review the valuation method to assess whether it is in line with the CIPFA Code. The Council should also consider engaging appropriate specialists to revalue Land and Building assets, as appropriate.	Management accepts the recommendation.

Grading	Definition
High	Matters and/or issues 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.
Moderate	Matters and/or issues 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.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Assessment of Control Environment (continued)

Status of previous year's recommendations

Recommendation	Update
There was evidence of deliberate circumvention of controls , which allowed the potentially unlawful transactions referred to in this report to occur, which calls into question the integrity of senior management of the Council and the adequacy of controls. We have been unable to determine whether or not controls in 2023/24 were also subject to circumvention.	All the actions have now been closed based on the Council's Annual Governance Statement.



07

Other Reporting Issues

Other Reporting Issues

Other powers and duties

Statutory Recommendations

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.

The following matters came to our attention which have required us to issue statutory recommendations under Schedule 7 of Section 27 of the Act:

Our Value for Money work identified significant weaknesses in the Council’s governance arrangements and control environment. These included major weaknesses in Housing Services - particularly in the operation and oversight of the service delivered through the arrangements between the Council and their service organisation responsible for housing management (South Essex Homes).

We also noted significant deficiencies in procurement and contract management, reported by the Council’s External Investigator. These deficiencies include spending outside contracted arrangements, inadequate benchmarking, use of direct awards that exposed the Council to fraud risk, and weaknesses in monitoring and verification of works performed.

These weaknesses created an environment in which fraud against the Council was able to occur. Payments were made to an external contractor in 2024/25 that are deemed to be potentially fraudulent. While the financial value is not material, the occurrence of fraud was preventable and demonstrates fundamental failures in the Council’s control framework. Given the seriousness and governance implications of these issues, we consider them of such significance that they warrant escalated reporting to the Secretary of State.

We are also conscious that the Council has been subject to a significant number of external regulator reviews, External Investigator reviews, together with the significant weaknesses that we have identified above, but also in prior audit years. Taken together, these reviews have given rise to a significant number of recommendations.

We can see forward momentum in how the Council is led and dealing with these matters but given the seriousness and governance implications of these issues, we consider them of such significance that they warrant escalated reporting to the Secretary of State. The Council needs to ensure that all of these recommendations are appropriately addressed, actions implemented and that progress is subject to regular monitoring and scrutiny by the Audit & Governance Committee and Full Council. This is to ensure that the Council strengthens its internal control environment to enable the delivery of core Council services.

We are therefore minded to issue a Statutory Recommendation to ensure the Council addresses all the matters raised through external reviews and keeps focus across all areas of critical Council business. We will issue the formal Statutory Recommendation subsequent to the audit opinion.

Public Interest Report

We did not receive any formal questions or objections to the Council’s financial statements.

On balance, and after due consideration, we did not identify any issues which required us to issue a report in the public interest.

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 Council's financial statements 2024/25 with the audited financial statements.

Financial information within financial statements 2024/25 and published with the financial statements was consistent 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.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, However, the significant weaknesses identified during this audit, other regulator reports and the Council's responses to the issues should be included in an updated version of the Annual Governance Statement to be published with the financial statements.

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 (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The Council is not above the HM Treasury's threshold of £2 billion for WGA reporting, so only limited procedures are required. We have yet to be notified of whether the NAO require any additional procedures in respect of the 2024/25 WGA submission. We cannot issue our Audit Certificate until the NAO has confirmed no further procedures are required.



08

Independence

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its Members and senior management and its affiliates, including all services provided by us and our network to the Council, its Members 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 1 April 2024 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 1 April 2024 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.

Independence

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 Plan 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.psa.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. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Prior Year
	£'s	£'s
Scale Fee - Code Work	172,779	47,306 Note 1
Scale fee variation	TBD Note 3	53,829 Note 2
Total fees	TBD	101,135

All fees exclude VAT

Note 1 - The Scale Fee set by PSAA for 2023/24 was £157,688 and is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014. This is 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.

By the time it was determined that the Council would not be able to comply with the statutory deadline for draft 2023/24 accounts publication, we have already done the initial aspects of the audit which led to completing a number of our risk assessment procedures and walkthroughs. We submitted 30% of the scale fee to PSAA for this work which they have formally determined.

Note 2 - As set out in the letter to Management dated 29 May 2025 on the 2023/24 Audit Fee Variation, a scale fee variation was submitted to PSAA covering the following areas:

- Work to address the risks of significant weakness in arrangements identified in respect of the Value for Money Conclusion, the subsequent reporting of the significant weaknesses identified and modifications to our audit opinion, as set out in our Audit Completion Report.
- Disclaimer of opinion planning, reporting and consultation.

As at the date of this report, that scale fee variation was determined by PSAA Ltd at a total value of £53,829.

Note 3 - We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following areas:

- Impact of change in materiality during the year;
- Additional time spent to address the risks identified in audit (presented in Section 02);
- Work of internal expert (EY Pensions, EY Real Estate and EY Forensics);
- Technical accounting issues;
- Quality and preparation issues;
- VFM risks; and
- Buildback of assurance.

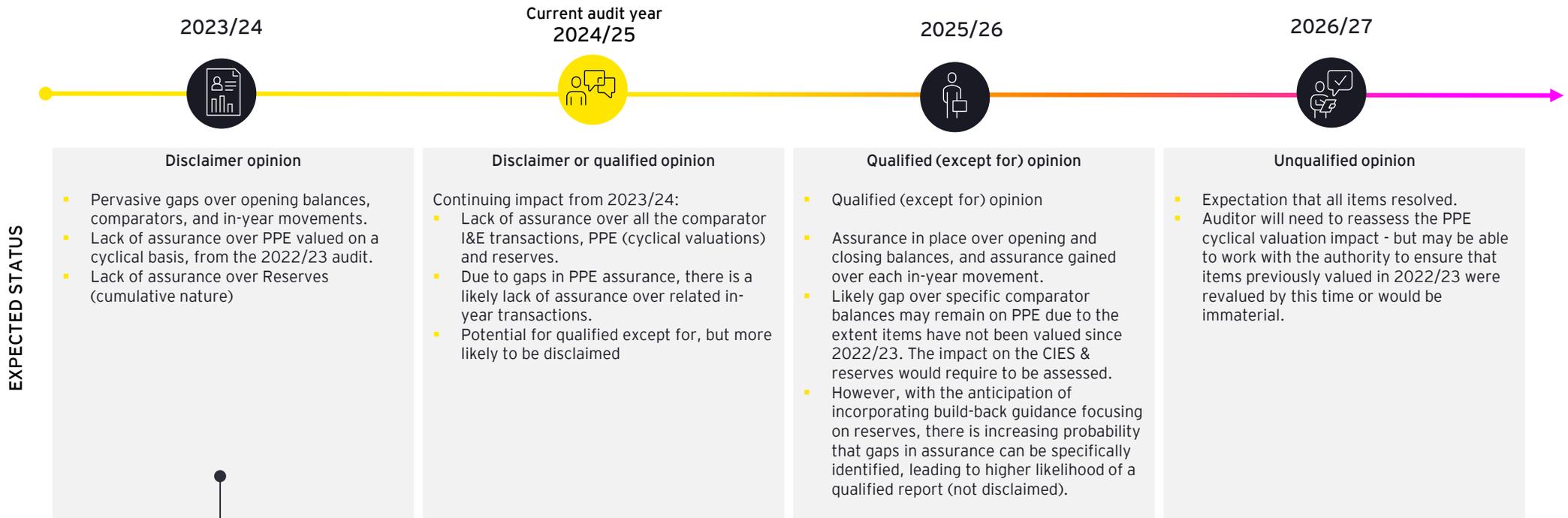


09 Appendices

Appendix A – Progress to full assurance

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



CURRENT AUDIT STATUS OF THE COUNCIL

- The Council's progress is behind the expected timescales set out in LARRIG 01.
- This is because no audit procedures were able to be completed in 2022/23 or 2023/24.
- This is because we have only started to build assurance in 2024/25 and not all balances and movements in year will be completed due to issues identified in the audit and discussed elsewhere in this report.
- Our Audit Results Report will set out in more detail the assurance we have gained by financial statement area.
- This means it is unlikely that audit assurances can be rebuilt to enable an unqualified opinion by 2026/27.

Further information on the approach to rebuilding audit assurance is set out in the National Audit Office guidance referenced above.

Appendix B – Updated summary of assurances

Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	None	Partial	We have completed all planned procedures for all the significant accounts in this area apart from Council Dwellings. This is because the Council has not yet completed a Stock Condition Survey which will impact the valuation of Council Dwellings assets.
Investment Property	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Heritage Assets	None	Partial	Management could not provide us with support for the value and breakdown of assets that comprise 51% of the balance of Heritage Assets (civic regalia, war memorials and other memorials).
Long Term Investments	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Investments	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash equivalents	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Creditors (short and long term)	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions (short and long term)	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Capital Grants Received in Advance	None	Partial	Management could not provide evidence for a sample with £0.252 million balance as of year-end. We have completed the rest of the planned procedures on this area.
Local Government Pension Scheme	None	Full	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Leases	None	None	Due to the matters arising during the audit that required significant additional work and diverted resources from other planned procedures, and with a legislative backstop date of 27 February 2026, we do not have sufficient resources to be able to conclude on this work area.
Collection Fund Expenditure	None	Full	We have completed our planned audit procedures in this area.
Collection Fund Income	None	Partial	We have completed our planned audit procedures in this area. However, since we have no assurance over the income for 23/24 which was the basis of SAR for the current year, we have only obtained partial assurance.
Collection Fund Disclosures	None	Full	We have completed our planned audit procedures in this area.

Appendix B – Updated summary of assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Housing Revenue Account - Expenditure	None	Partial	We have completed our planned audit procedures in this area except for Depreciation, revaluation and impairment of non-current assets due to the absence of assurance obtained from Council Dwellings.
Housing Revenue Account - Income	None	Full	We have completed our planned audit procedures in this area.
Housing Revenue Account - Disclosures	None	Partial	We have completed our planned audit procedures in this area except for Depreciation, revaluation and impairment of non-current assets due to the absence of assurance obtained from Council Dwellings.
Comprehensive Income and Expenditure Statement			
Grant income	None	Full	We completed our planned testing.
Other income	None	None	Due to the matters arising during the audit that required significant additional work and diverted resources from other planned procedures, and with a legislative backstop date of 27 February 2026, we do not have sufficient resources to be able to conclude on this work area.
Housing services expenditure	None	Full	We completed our planned testing.
REFCUS	None	Full	We completed our planned testing.
Other expenditure (excluding Depreciation, revaluation and impairment of non-current assets)	None	Full	We completed our planned testing.
Reserves	None	None	Due to the matters arising during the audit that required significant additional work and diverted resources from other planned procedures, and with a legislative backstop date of 27 February 2026, we do not have sufficient resources to be able to conclude on this work area.
Disclosures			
Officers remuneration	None	Full	We have completed our planned audit procedures in this area.
Exit packages	None	Full	We have completed our planned audit procedures in this area.
Annual Governance Statement	None	Full	We have completed our planned audit procedures in this area, following the update to the final version.
Cash flow statement	None	Partial	We have completed our planned audit procedures in this area. However, as we do not have assurance over the opening balances, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Members Allowances	None	Full	We have completed our planned audit procedures in this area.
Expenditure Funding Analysis	None	Partial	We have completed our planned audit procedures in this area. However, as we do not have assurance over the opening balances, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Financial Instruments	None	Full	We have completed our planned audit procedures in this area.
Narrative Report	None	Full	We have completed our planned audit procedures in this area.
All other disclosures not separately identified	None	Full	We have completed our planned audit procedures in this area.

Appendix C – Required communications with those charged with governance

Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. 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.	Provisional Audit Plan - dated 15 April 2025 and presented to the June 2025 Audit & Governance Committee
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>	Provisional Audit Plan - dated 15 April 2025 and presented to the June 2025 Audit & Governance Committee
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 2026 Audit & Governance Committee
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 2026 Audit & Governance Committee

Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
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 2026 Audit & Governance Committee
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"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ 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 & Governance Committee responsibility. 	Audit Results Report - February 2026 Audit & Governance Committee
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 2026 Audit & Governance Committee

Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
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>	<p>Provisional Audit Plan - dated 15 April 2025 and presented to the June 2025 Audit & Governance Committee</p> <p>Audit Results Report - February 2026 Audit & Governance Committee</p>
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 2026 Audit & Governance Committee
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 2026 Audit & Governance Committee
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 2026 Audit & Governance Committee
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 2026 Audit & Governance Committee

Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
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 2026 Audit & Governance Committee
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 2026 Audit & Governance Committee
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 2026 Audit & Governance Committee

Appendix D – Outstanding matters

Outstanding matters

The following items remain to complete prior to issuing our audit opinion.

Item	Actions to resolve	Responsibility
Receipt of letter of representation from Management	Management to provide the signed letter of representation. This is done on the date of signing the audit opinion.	Management and EY
Subsequent events procedures	Completion of subsequent events procedures to the date of signing the audit report such as obtaining final independence confirmation, extended review of minutes of meeting, etc.	EY

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 financial statements.

Appendix E – Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit & Governance Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

Appendix F – Management representation letter

Management representation letter

Draft

This letter of representations is provided in connection with your audit of the financial statements of Castle Point Borough Council (“the Council”) for the year ended 31 March 2025. 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 the Council financial position of Castle Point Borough Council as of 31 March 2025 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
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 (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information 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 has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible to determine that the Council’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and 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 law 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 “whistleblowers”) 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 Council’s financial statements;

Appendix F – Management representation letter

Management representation letter

Draft

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- 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.

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. 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 on the financial statements.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[list date]*.

8. 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.
9. 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 applicable financial reporting framework.
10. 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.
11. From 28 February 2025 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 to the best of our knowledge is reasonably likely to have occurred based on our investigation, 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 impact to 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.

Appendix F – Management representation letter

Management representation letter

Draft

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 22 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note AP1 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 those described in Note 21 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 information contained within the Narrative Statement and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

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.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the applicable financial reporting framework, aligned with the statements we have made in the other information or other public communications made by us.

Ownership of Assets

1. Except as specified in the new accounting standard for leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

Equity

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

Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
 1. Matters referred to in the Annual Governance Statement for 2024/25.

Appendix F – Management representation letter

Management representation letter

Draft

Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings, investment property and IAS19 pension liabilities and have adequately considered the qualifications of the specialists in 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.

Estimates

Valuation of Land and Buildings (Property, Plant and Equipment and Investment Properties)

1. We confirm that the significant judgments made in making the valuation of land and building estimate 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 land and building estimate.
3. We confirm that the significant assumptions used in making the valuation of land and building estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income on behalf of the Council.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and building estimate.
6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements.

Accounting for Pension Asset/Liability

1. We confirm that the significant judgments made in making the IAS 19 pensions asset/liability estimate 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 IAS 19 pensions asset/liability estimate.
3. We confirm that the significant assumptions used in making the IAS 19 pensions asset/liability estimate appropriately reflect our intent and ability to continue to participate in the Essex Pension Fund.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 pensions asset/liability estimate.
6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements.

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,

Assistant Director, Finance & Procurement (Section 151 Officer)

Chairman of the Audit & Governance Committee

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