Audit Strategy Memorandum

Bolsover District Council – Year ending 31 March 2025

September 2025

forvis mazars

Audit Committee
Bolsover District Council
The Arc,
High Street
Clowne
S43 4JY

September 2025

Forvis Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

Dear Audit Committee Members,

Audit Strategy Memorandum – Year ending 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Bolsover District Council for the year ending 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled *'Confirmation of our independence'* summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Bolsover District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on +44 (0)788283527.

This report was prepared solely for the use and benefit of Audit Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully

James Collins (Sep 12, 2025 10:28:07 GMT+1)

James Collins

Forvis Mazars

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Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Bolsover District Council (the Council) for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: Statement of responsibilities of auditors and audited bodies from 2023/24. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Our audit does not relieve management or Audit Committee, as those charged with governance, of their responsibilities.

The Section151 Officer is responsible for the assessment of Bolsover District Council's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

a) whether a material uncertainty related to going concern exists, and
b) the appropriateness of the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements.

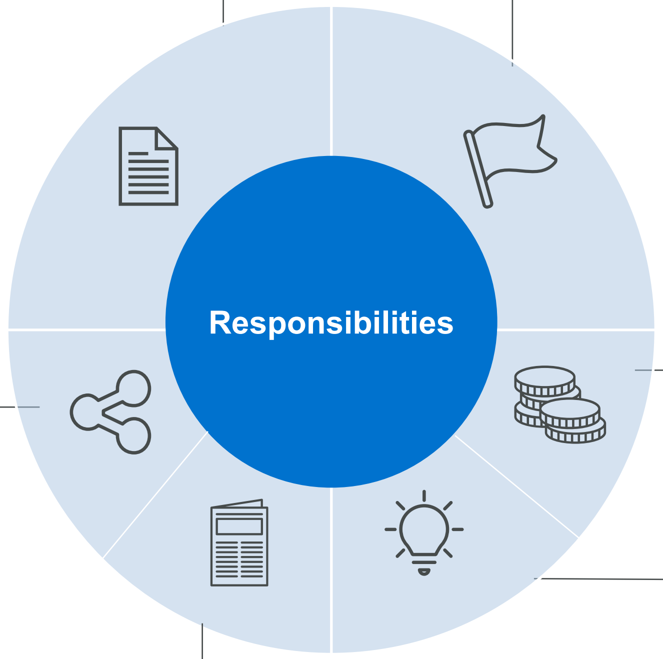
Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bolsover District Council's internal control.

Whole of Government Accounts

We report to the NAO on the consistency of the Bolsover District Council's financial statements with its Whole of Government Accounts (WGA) submission.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel internal audit and other key individuals, where relevant, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in the '*Value for Money*' section of this report.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

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Your audit team

Your audit team

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Audit scope, approach, and timeline

Backstop update

Background

The statutory backstop established a date in legislation by which local authorities were required to publish their financial statements irrespective of whether their external auditor had obtained sufficient appropriate audit evidence to issue a non-disclaimed audit opinion. The introduction of the backstop led to many local authority audits being disclaimed. Bolsover District Council received disclaimed audit opinion on the 2023/24 financial statements.

Audit suppliers have worked with the National Audit Office (NAO) and the Financial Reporting Council (FRC) to develop guidance to support local audit suppliers to rebuild assurance after previous audits have been disclaimed. In June 2025, the NAO issued its guidance to auditors on the special considerations for rebuilding assurance. The Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 was published with the endorsement of the Financial Reporting Council (FRC). The NAO issued its suite of LARRIGs to support auditors in meeting the requirements of the Government's backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024. LARRIG 06 makes clear the work required to rebuild assurance following a disclaimer of opinion may be significant and will vary between authorities.

The LARRIG emphasises the timely delivery of audited financial statements is a collective enterprise where both accounts preparers and auditors have important responsibilities. Effective governance and internal controls, allied to accurate and timely financial reporting, are essential conditions to support a return to the timely delivery of unqualified audited financial statements.

You can access the NAO's suite of LARRIGs here: www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/

Rebuilding following a disclaimer of opinion

Under normal circumstances and following a financial year where the auditor has given an unmodified opinion on the financial statements, auditors would usually rely on assurance obtained in the prior period to be satisfied that the opening balances in the current year are free from material error. Following the completion of audit procedures on in-year transactions, the auditor would usually be able to form an opinion on the current year's financial statements.

When a disclaimer of opinion has been issued in the prior periods, no such assurance can be taken and the auditor must design alternative audit procedures to be able to form a position on the current year's financial statements.

Risk assessment process

The guidance requires auditors to consider the facts and circumstances impacting the financial statements and the different classes of transactions and account balances, and to apply professional judgement in determining the appropriate level of audit work to rebuild assurance. In general, the greater the number of financial years subject to a disclaimed opinion, the greater risk of material misstatement that auditors need to address when determining the most appropriate way to rebuild assurance. Even in circumstances where only one year's financial statements have been subject to a disclaimed opinion, the inherent risk of material misstatement will inevitably be higher than would ordinarily be the case.

Backstop update

LARRIG 06 places an emphasis on the risk assessment procedures auditors should undertake. We will conduct a comprehensive risk assessment which considers:

- the Council's system of internal control for the periods subject to disclaimed audit opinions; and
- a detailed assessment of the potential risks for each account balance.

We will conduct a detailed assessment of risk at the account balance level and will focus particularly on the potential risks of material misstatement in prior periods for individual reserve balances.

Although we are yet to complete our detailed risk assessment work, it is likely that we will be reporting to you that there are additional risks associated with prior period disclaimed opinions and the additional work that we must complete to rebuild assurance.

Respond to identified risks

ISA (UK) 330 requires the auditor to design and perform further audit procedures based on, and responsive to, the assessed risks of material misstatement at either the financial statement level, or the assertion level. The ISA requires the auditor to obtain more persuasive evidence as the assessment of risk increases.

Following the completion of our risk assessment work, we will design audit procedures to respond to those risks in the most efficient and effective manner. It is important to note that the work we will undertake to address identified risks relating to a prior period disclaimer of opinion is in addition to the work that we will be undertaking, and would ordinarily undertake, to obtain assurance over the current year's transactions, closing balances and disclosures.

At this early stage we anticipate that we will undertake additional procedures (over and above those which we would usually undertake) on group balances, and most usable and unusable reserve balances.

Timeline and further reporting

We report to you the outcome of our detailed risk assessment procedures and intended audit response to identified risks once detailed risk assessment procedures have been concluded. We anticipate that we will have completed our risk assessment work in September and will discuss the identified risks and our intended approach to responding to those risks with the Director of Finance and their team in advance of presenting an update report to the Audit Committee later in the year.

Implications for audit fees

PSAA have yet to determine the impact of the auditor's procedures for rebuilding assurance on the scale audit fee for 2024/25 and beyond. It will deal with this through its scale fee variation approval process. We will be transparent in communicating with the Section 151 officer any additional audit costs arising from our work on rebuilding assurance and will update the Committee in due course.

Audit scope, approach, and timeline

Risk-based Approach

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Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on page 12 outlines the procedures we perform at the different stages of our audit.

Reliance on internal audit

Where possible, we will use the work performed by internal audit when designing the nature, extent, and timing of our audit procedures. We will discuss with internal audit the progress of their work and their findings prior to commencing our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by them and perform our own procedures to determine the adequacy of that work for our audit.

Audit scope, approach, and timeline

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson	National Audit Office's (NAO's) Consulting Actuary
Property, plant and equipment valuation	Internal valuer from the Council	We will consider available market data including the National Audit Office's expert, Montague Evans.
Financial Instruments	Arlingclose	None identified at planning.
Business Rates Appeals Valuations	InformCPI Ltd	None identified at planning.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

We have not identified any service organisation used by the Council.

Audit scope, approach, and timeline

Planning and risk assessment
March – April 2025

- Planning our visit and developing our understanding of the Council
- Documenting systems and control and performing walkthroughs
- Risk identification and assessment
- Initial opinion and value for money risk assessments
- Considering proposed accounting policies and accounting treatments
- Developing our audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review
- Determination of materiality

Fieldwork
September- November 2025

- Documenting systems and controls
- Performing walkthroughs
- IT general controls testing
- Reassessment of our audit strategy (and revising if necessary)
- Executing our strategy, starting with significant risks and other higher-risk areas
- Detailed work to examine and assess arrangements in relation to any significant risks relating to the value for money conclusion
- Receiving and reviewing the draft financial statements
- Communicating progress and any issues arising
- Clearance meeting(s)
- Updating our VFM assessment

Completion
December-January 2026

- Final review of financial statements, and disclosure checklist
- Final director review
- Agreeing the content of the letter of representation
- Preparing our auditor’s report
- Reporting to the Audit Committee
- Subsequent events procedures
- Signing our auditor’s report

Group audit approach

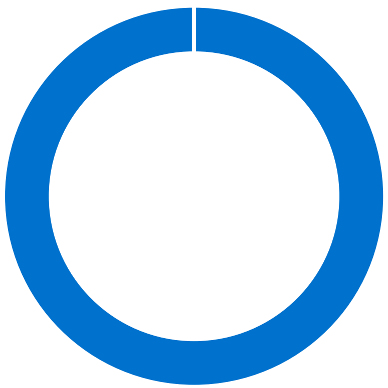
The preliminary scope of our group audit is based on our analysis of the risks we have identified at group level. When scoping our audit, we have considered quantitative criteria (the contribution of each of the group's consolidated components to the group financial statements); qualitative criteria (the risks of material misstatement of the group financial statements that consolidated components may present individually at component level); and we have assessed the risk of material misstatement across the group's consolidated components in aggregate.

The nature and extent of audit work we plan to perform on the consolidated components is set out below.

Component name	% of Gross Expenditure	Location	Auditor	Scope
Bolsover District Council	72%	Clowne	Forvis Mazars LLP	Full Scope Audit
Dragonfly Development Limited	12%	Clowne	Hewittcard Chartered Certified Accountants	Full Scope Audit
Dragonfly Management (Bolsover) Limited	17%	Clowne	Hewittcard Chartered Certified Accountants	Full Scope Audit

23-24 – Initial % of group

Gross Expenditure



Full audit

Audit of specific account balance(s) and/ or disclosure(s)

Group engagement team instructed engagement procedures

Audit scope, approach, and timeline

Follow up on significant deficiencies in internal control

Set out below are the significant deficiencies in internal control that we identified during our prior period audit. During the course of the audit, we will request that you and management provide us with evidence of the progress made to address these deficiencies. We will report an update on the progress made for each significant deficiencies in internal control detailed below in our Audit Completion Report.

- **Journals -** During our testing of Journals, we identified 55 journals posted by the Section 151 Officer. The Council confirmed this was due to Dragonfly incorporation and lack of capacity in the finance team. If the Section 151 Officer is involved in the accounts preparation there is a risk the internal control checks are not effective as the S151 Officer could be reviewing their own work. This increases the risk material errors are missed in the accounts process.
- **PPE revaluations -** In our testing of the underlying data used to calculate the value of assets, there was a delay in the Council being able to find and provide data to validate the floor areas used to support the valuations. Without this information being saved in the Council working papers there is a risk that internal review of the valuations is not effective and may miss material errors
- **Payroll Reconciliation -** The Council did not prepare a reconciliation between the payroll system and the employee expenses in the general ledger and financial statements. There is a risk that payroll expenditure could be incomplete, or that items could be misclassified in the financial statements between employee expenses and other expenditure

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Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

For the group financial statements, we consider that gross revenue expenditure at surplus/deficit on provision of services level is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus/deficit on provision of services level as the benchmark.

For the single entity financial statements, we consider that gross revenue expenditure at surplus/deficit on provision of services level is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus/deficit on provision of services level as the benchmark.

We expect to set a materiality of 2% of gross revenue expenditure at surplus/deficit on provision of services level for the group financial statements, and a materiality of 2% of gross revenue expenditure at surplus/deficit on provision of services level for the single entity.

As set out in the tables alongside, based on currently available information (2024-25 draft financial statements) we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £1.430m, and performance materiality to be in the region of £1.001m.

For the single entity financial statements, we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £1.370m and performance materiality to be in the region of £0.959m.

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£1,430	£1,629
Performance materiality*	£1,001	£1,303
Clearly trivial	£43	£49

Council's single entity financial statements

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£1,370	£1,399
Performance materiality	£959	£1,119
Clearly trivial	£41	£42
Specific materiality – Senior officers' remuneration	£5	£5

Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £0.041m, based on 3% of overall materiality. If you have any queries about this, please raise these with James Collins.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

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Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the *'Audit scope, approach, and timeline'* section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. As required by auditing standards, a fraud risk is always assessed as a significant risk.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to the Audit Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	**Management override of controls** (Council and group).	●	○	●	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	In line with our methodology, we plan to address the management override of controls risk through performing audit work over: • material accounting estimates; • journal entries testing meeting our risk criteria; and • significant transactions outside the normal course of business or otherwise unusual.

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Significant risks and other key judgement areas

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	**Valuation of land, buildings and investment properties (Council)** 2024-25 : £308.011m 2023-24 : £307.925m	○	●	●	The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of land, buildings and investment properties. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of land, buildings and investment property due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of land, buildings and investment properties to be an area of significant risk.	We plan to address this risk by: • Critically assessing the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; • Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2024/25 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers

Significant risks and other key judgement areas

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
3	**Net defined benefit valuation (Council and Group)** 2024-25: Net pension liability £4.475m, Gross pension liability £121.079m 2023-24: Net pension liability £5.190m, Gross pension liability £118.428m	○	●	●	The Council is an employer in the Local Government Pension Scheme, administered on a local level by the Derbyshire Pension Fund. The defined benefit assets and liabilities are significant items in the Council's balance sheet and the Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area. As pert of our testing, procedures will be performed on the net defined liability held by Dragonfly Development Limited	We plan to address this risk by: • Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary; • Liaising with the auditors of the Derbyshire Pension Fund to gain assurance over the design and implementation of the controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Reviewing the appropriateness of the pension asset and liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PwC and consulting actuary engaged by the National Audit Office; and • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements. In the event of a pension surplus arising in 2024/25, its accounting treatment will require specific consideration under IFRIC 14.

Significant risks and other key judgement areas

Significant risks

	Risk name	Error	Judgement	Risk description	Planned response
4	**Application of IFRS 16 for the 2024-25 financial year. (Council)**	●	●	IFRS 16 is applicable from 1 April 2024, designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Council is required to account for its lease arrangements in line with this new standard for the first time in the 2024/25 accounts. This requires the Council to re-classify their leases and account for a right of use asset. Given this is a new standard which could result in significant movements and the need to identify previously unrecognised leases we have identified this as an area of significant risk for our 2024/25 audit	We will: • critically review the accuracy and completeness of the Council's assessment of leases under IFRS 16; • reviewing management's year end journal postings to ensure proper accounting treatment; • Review the accounting treatment for a sample of leases to test the valuation of the liability and right of use asset.
5	**Group Consolidation**	●	●	**Group Consolidation** The Council is consolidates Dragonfly Group (Dragonfly Development Limited and Dragonfly Management) and produced group accounts for the first time in the 2023/24 financial statements. We reported in our disclaimer of opinion for the year ended 31 March 2024 that the Group financial statements included material errors and the Council was unable to provide sufficient, appropriate evidence to support the figures in the group financial statements were free from material misstatement.	We plan to address this risk by: • review and assess the controls and processes that the Council has in place to prepare group accounts; • perform substantive procedures on the consolidation adjustments; • perform recalculations on the consolidation schedules to ensure mathematical accuracy; and • Complete risk based procedures required to rebuild assurance over group opening balances.

Significant risks and other key judgement areas

As detailed earlier in this report, The Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 was issued by the NAO to support auditors in meeting the requirements of the Government's backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024. LARRIG 06 makes clear the work required to rebuild assurance following a disclaimer of opinion may be significant and will vary between authorities. We have yet to conclude our risk assessment procedures and consequently additional significant risks may be identified. Where necessary we will report any additional risks to Members in Progress Reports.

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance,* we would like to seek your views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Bolsover District Council and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Audit Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 Communication with Those Charged with Governance, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

Based on our assessment of the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control, we do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

06

Value for Money

Value for money

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This will be the first audit year where we are undertaking our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report). Further information will be provided in Appendix A.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

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

Our approach

Our work falls into three primary phases as outlined opposite. We gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement; and • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, work completed to-date has not identified any additional risks of significant weaknesses in arrangements. As detailed on page 31, we reported a significant weakness in arrangements for the year ended 31 March 2024. We will complete audit procedures to determine if there remains a weakness for the year ended 31 March 2025.

We will report any identified risks to the Audit and Standards Committee, if any arise, as part of our continuous risk assessment.

Value for money

Our work to follow-up on previous recommendations

As part of our audit work in previous years we identified significant weaknesses in the Council's arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2024/25 audit.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2023-24 recommendations	Planned procedures for 2024-25
Accounting and Governance Arrangements of Dragonfly companies The Council published its draft statement of accounts for the 2023/24 financial year in July 2024, including group accounts. This is the first year that the Council has been required to prepare group accounts, incorporating the financial results of both the Council and its wholly-owned subsidiary companies (collectively referred to as "Dragonfly companies"). However, the draft group accounts contained material errors due to inconsistencies in the reporting periods for the year ended 31 March 2024 year and prior year balances (year ended 31 March 2023). Further, there were delays in obtaining the financial statements of Dragonfly Companies (Dragonfly Development Ltd and Dragonfly Management (Bolsover) Ltd) from their consultants and external auditors to enable the production of final group accounts. These delays meant the Council was not able to finalise the production of updated group accounts for the 2023/24 financial year until January 2025, a delay of 6 months over the expected timetable. As a result of the delay we were unable to complete our audit procedures before the backstop date of 28th February 2025, leading to the Council's statement of accounts being disclaimed. Without proper arrangements to support the production of its draft statement of accounts (which incorporate full range of activities of the Council's group) and the audit of those accounts, the Council risks a continuation of failure to meet the requirement to publish an audited statement of accounts. These matters, in our view, are evidence of a significant weakness in the Council's governance arrangements, in particular how the body ensures its statutory financial reporting requirements for the financial year ended 31 March 2024.	Governance	The Council should ensure that proper arrangements are established to ensure the timely production of the group statement of accounts, aligning with statutory reporting deadlines. This timetable should be clearly articulated to all stakeholders within the Group.	We will monitor the Council's implementation of improved arrangements for producing group accounts, including the establishment of a clear timetable and stakeholder coordination. These measures will be reviewed during 2024/25 to assess whether they effectively address the prior year's delays and reporting failures.

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07

Audit fees and other services

Audit fees and other services

Fees for work as the Council's appointed auditor

Our fees (exclusive of VAT) as the Council's appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit.

At this stage of the audit, we anticipate an additional fee linked to the additional work required on the consolidation of the Dragonfly Companies. An additional fee was charged in 2023/24 in respect of the additional work required in relation to ISA315, based on the estimated cost by PSAA. The 2024/25 scale fee has been rebased by PSAA to include an additional amount in relation to ISA 315.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Code Audit Work	£160,368	£145,685
Additional fee in respect of ISA315	N/A	£9,410
Additional fee in respect of the Council preparing group account	TBC	Note 1
2024-25 Expected fee variations: • Introduction of IFRS 16 Leases • Additional work caused by the introduction of ISA 600 Revised Group Audits • Additional work required to rebuild assurance (note 2)	Note 2	N/A

Note 1 – Fees have been submitted but require approval by Public Sector Audit Appointment (PSAA)

Note 2 – any fees will need to be approved by PSAA

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section '*Confirmation of our independence*'.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Other services – Agreed upon procedures on housing pooling return	£TBC*	£6,000

* *To be confirmed if we are engaged to complete this work*. We expect a fee of £7,000 would be proposed.

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Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Bolsover District Council that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Bolsover District Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Bolsover District Council], together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with me in the first instance.

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: **Terms of Appointment from 1 July 2021 - PSAA**. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with the Audit Committee, as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Our Auditor's Annual Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Changes introduced by the 2024 Code of Audit Practice

The 2024 Code now requires the auditor to issue the draft Auditor's Annual Report by 30th November following each year end. For the 2024/25 audit, this means that we must issue our draft Auditor's Annual Report by 30 November 2025, whether our audit is complete or not.

In instances where our audit work is not complete by 30 November for any given year, the 2024 Code requires us to provide a summary of the status of the audit at the time of issuance and should reflect the work completed to date since we issued our previous Auditor's Annual Report. In such instances, we will issue an Interim Auditor's Annual Report to meet the 30 November deadline. On completion of any outstanding financial statement audit work or Value for Money arrangements work, we will re-issue the Auditor's Annual Report which will include an updated commentary on Value for Money arrangements.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Inquiries with Audit Committee to determine whether you 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 fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Council or Audit Committee in the context of fulfilling your responsibilities.	Audit Completion Report

Appendix A: Key communication points

<table>
<tr><th>Required communication</th><th>Where addressed</th></tr>
<tr><td>Significant deficiencies in internal controls identified during the audit.</td><td>Audit Completion Report</td></tr>
<tr><td>Where relevant, any issues identified with respect to the Council to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</td><td>Audit Completion Report</td></tr>
<tr><td>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off)} and inquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that the Audit Committee may be aware of.</td><td>Audit Completion Report and Audit Committee meeting(s)</td></tr>
<tr><td>With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:
• Whether the events or conditions constitute a material uncertainty;
• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and
• The adequacy of related disclosures in the financial statements.</td><td>Audit Completion Report</td></tr>
<tr><td>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management:
• Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership
• Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities
• Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.)
• Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality
• Evaluate responses and remediate control gaps or deficiencies

We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.

The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.</td><td>Audit Strategy Memorandum</td></tr>
</table>

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Appendix A: Key communication points

Required communication	Where addressed
An overview of the work to be performed at the components of the group and the nature of our involvement in the work to be performed by component auditors.	Audit Strategy Memorandum and Audit Completion Report
Instances where our review of the work of the component auditor gave rise to a concern about the quality of the component auditor’s work, and how we addressed that concern.	Audit Completion Report
Any limitations on the scope of the group audit, for example, significant matters related to restrictions on access to people or information.	Audit Strategy Memorandum and Audit Completion Report, as necessary
Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group’s system of internal control or others when the fraud resulted in a material misstatement of the group financial statements.	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix B: Current year updates, forthcoming accounting & other issues

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases (Issued January 2016)

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Council are party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 *Presentation and Disclosure in Financial Statements* (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies’ financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over 'significant components' of a group, i.e., a 'full scope' audit of a significant component's financial information relevant to the group financial statements was required. Forvis Mazars defined a 'significant component' as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group's reported profit before tax would be classified as a significant component and a 'full scope' audit would be performed over that component's financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component's financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component's financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a 'non-significant' component's financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of 'component' - The definition of 'component' has been revised to "an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit".

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of 'group-wide' controls has been removed and we are instead required to consider 'common controls', being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of 'engagement team' - The definition of 'engagement team' has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component's financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component's financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

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