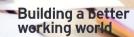
North Norfolk District Council Completion Report for Those Charged with Governance

Year ended 31 March 2024 Report issued - 15 February 2025



Governance, Risk and Audit Committee North Norfolk District Council Council Offices Holt Road Cromer NR27 9FN

#### Dear Governance, Risk and Audit Committee

#### 2023/24 Audit completion report

We are pleased to attach our audit results report, summarising the status of our audit for the Governance, Risk and Audit Committee.

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

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

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

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

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

15 February 2025

As reported in our 2021/23 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23, and 2021/22 under these-arrangements to reset and recover local government audit. The Council were unable to publish draft unaudited financial statements and provide full supporting records by 29 October 2024, we therefore did not undertake our planned procedures on the 2023/24 financial statements and have not been able to start rebuilding assurance ahead of the planned backstop date of 28 February 2025. We are therefore unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements and anticipate issuing a disclaimed 2023/24 audit opinion.

We draw the attention of Governance, Risk and Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix F).

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

Yours faithfully

David Riglar Partner For and on behalf of Ernst & Young LLP

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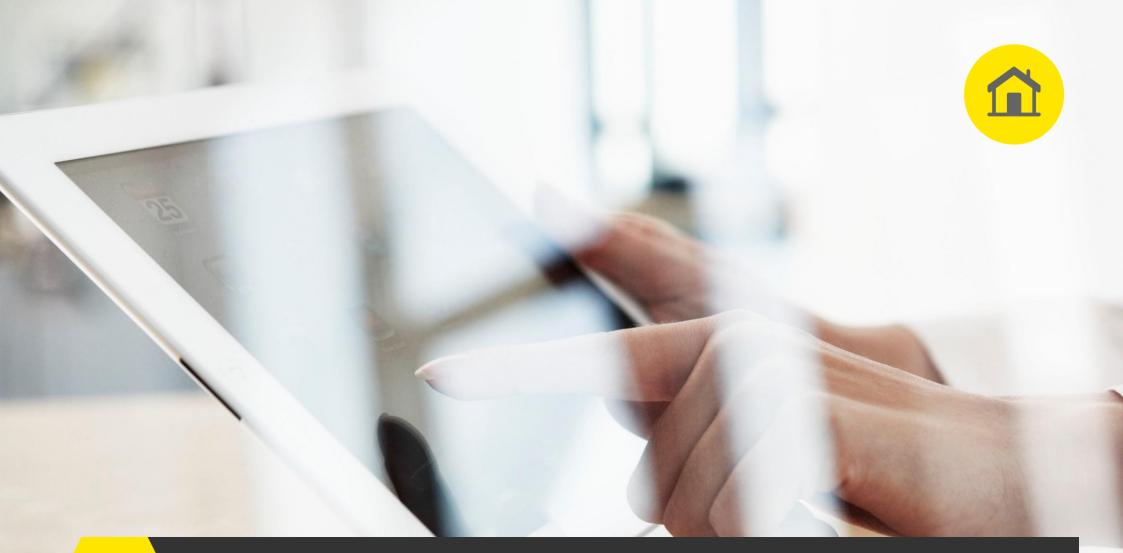
# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<u>https://www.psaa.co.uk/managing-audit-guality/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits</u>). 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 Governance, Risk and Audit Committee of North Norfolk District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Risk and Audit Committee of North Norfolk District Council 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 Governance, Risk and Audit Committee of North Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary - Context for the audit

## Context for the audit - Ministry of Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays

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

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

MHCLG (formerly Department for Levelling-up, Housing and Communities) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

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

As reported in our 20/11/2024 Audit Completion Report to the **Governance**, **Risk and Audit Committee** we issued a disclaimed audit report on the Council's financial statements for 2022/23, and 2021/22 years of account under these arrangements to reset and recover local government audit.

EY's Head of UK Government and Public Sector Audit wrote to the Section 151 officer at the Council on 21 August 2024 to set out that we would be prioritising those 2023/24 audits that we considered met the following criteria:

- draft unaudited financial statements were published by 29 October 2024;
- there was evidence that finance teams could effectively and efficiently support the audit process; and
- have high-quality audit evidence and supporting information that is delivered in accordance with our agreed timetable and in advance of the commencement of the audit.

We concluded that the Council had not met these requirements. We therefore did not undertake our planned procedures on the 2023/24 financial statements and have not been able to start rebuilding assurance ahead of the planned backstop date of 28 February 2025.



### Scope update

In our Audit Plan presented at the 11 June 2024 **Governance**, **Risk and Audit** Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

Changes in materiality: In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £1.375 million. We updated our planning
materiality assessment using the draft statement of accounts. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £1.5
million. This results in updated performance materiality, at 50% of overall materiality, of £0.75 million (Audit Plan - £0.688 million), and an updated threshold for reporting
misstatements of £0.075 million.

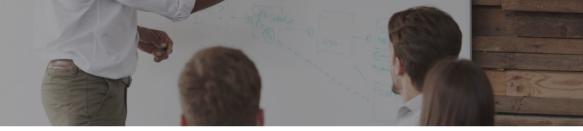


# 02 Work Plan

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North Norfolk District Council - Audit Completion Report for TCWG 8

# Work Plan - Audit Scope



### Audit scope

This Completion report covers the work that we performed in relation to:

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- ► The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- ► Management's views on all of the above.

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

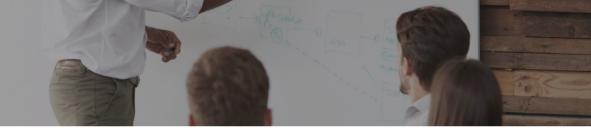
This decision is in line with ISA 200: Failure to Achieve an Objective 24.

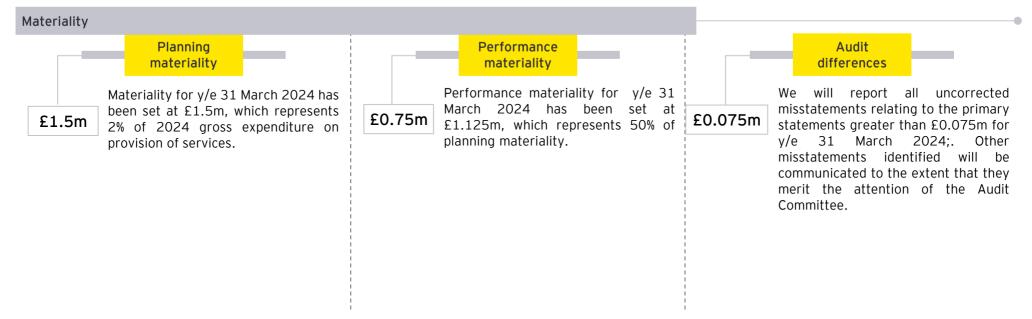
If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

# Work Plan - Materiality

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In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the draft 2023/24 accounts. We have considered updating this materiality for any key changes or known factors from that year. We determined that our audit procedures would be performed using a materiality of  $\pounds1.5m$ . This level of materiality remains appropriate for the actual results for the financial year.

These materiality levels have been set based on the main Authority financial statements. These levels are being used to assess our response to any issues identified in the Authority's financial statements.

# Work Plan - Significant, inherent and other risk areas

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

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY audit	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure including Expenditure Funded from Capital Under Statute (REFCUS)	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Pension Valuation	Inherent risk	No change in risk or focus	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. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Valuation of Other Land and Buildings (Including Investment Property)	Inherent risk	No change in risk or focus	The value of Property, Plant and Equipment (PPE) and Investment Property represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

# Work Plan - Significant, inherent and other risk areas

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

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY audit	Details
General Ledger system change Area of focus Ne		New risk	The Council implemented a new main finance system during late 2022/23 (December 2022). The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts.
			We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new system resulting in materially incorrect records and entries in the financial statements.
Production and publishing of the Area of focus Statement of Accounts		New risk	The last published and audited set of accounts was 20/21. The Council has a challenging timetable to produce three sets of accounts for 2021/22, 2022/23 and 2023/24 by 30 September 2024.
			Therefore, we have assessed that there is a risk to the timeliness and quality of the published 2023/24 statement of accounts, which could have a knock-on impact on our timetable to deliver the audit by the 30 November 2024.

# Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

#### Required communications

#### Planning stage

### Final stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence
- ► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Work Plan - Independence

### **Overall Assessment**

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of David Riglar, your Audit Engagement Partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in your authority. Examples include where we have an investment in your authority; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, there are no non-audit fees that require additional safeguards.

### Self review threats

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self-interest threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

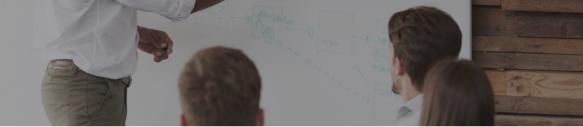
There are no management threats at the date of this report.

#### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

#### EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 28 June 2024 and can be found here: <u>EY UK 2024 Transparency Report | EY - UK</u>.



### Status of the audit

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

- ► Completion of subsequent events procedures;
- ▶ Receipt of signed financial statements and a signed management representation letter.

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion.

#### Value for Money

Our value for money (VFM) work is complete and reported in Section 04 of this report. We identified significant weaknesses in arrangements. See Section 04 of the report for further details.

### Audit differences

We have not identified any audit differences from our work, either adjusted or unadjusted by Management.

#### 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.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. We expect a delay in the audit certificate in respect of this work as NAO reserve the right to ask for further assurances. Until we have confirmation from the NAO that no further work is required, we will be unable to issue the audit certificate.

We did not receive any questions or objections to the Council's financial statements from any member of the public following the inspection period.

#### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 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 did not identify any issues which required us to issue a report in the public interest.



### 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 North Norfolk District Council. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

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 Governance, Risk and Audit Committee or Management.

#### Control observations

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

As reported in our 2021/23 Audit Completion Report, we identified that improvements are required in the preparation of Statement of Accounts. The Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. As outlined in Governance, Risk and Audit Committee the delays were caused by staff shortages and the need to prioritise closing the budget gap. This demonstrates the associated risk of non-compliance with key financial controls and the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council. The Council have taken action and increased resources in the Finance, they published financial statements for 2023/24 in January 2025.

#### Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention..

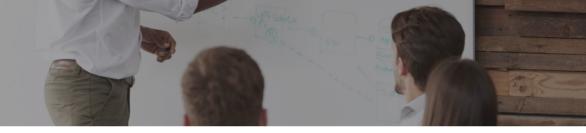


### Other matters

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

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

We have no other matters to report.



### Detailed matters idenfified

Description of work completed	Finding	Conclusion	Recommendation
Financial statement Review	<ul> <li>We noted:</li> <li>63 casting errors,</li> <li>26 internal inconsistencies errors, and</li> <li>Material Variances observed in overall analytical procedures.</li> </ul>	The findings indicate potential inaccuracies in the financial records.	Action is required to reconcile the opening balances and to determine the reasons for the material differences. Adjustments should be made to correct any errors, and the accounting records should be updated accordingly. Furthermore, the authority should review its closing and opening balance procedures to ensure accuracy and to prevent such discrepancies in the future.

# Audit Report Section of ARR

### Expected modification to the audit report

As reported in our 2021/23 Audit Completion Report dated 20 November 2024, we issued a disclaimed audit report on the Authority's financial statements for 2022/23 and 2021/22 under the arrangements to reset and recover local government audit.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

As set out within this report we have also not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over closing balances and in-year transactions.

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 are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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



# 04 Value for Money

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North Norfolk District Council - Audit Completion Report for TCWG 21



### Purpose

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Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

Appendix B sets out the Council responsibilities for value for money, and the Auditor's responsibilities.

The purpose of this interim commentary is to explain the work we have undertaken during the period 01/04/2023 to 31/03/2024 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2023/24.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2023/24.

# Executive Summary (continued)



### **Risks of Significant Weakness**

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with management and key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We identified a significant risk related to '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'.

Description of risk identified	Work planned to address the risk of significant weakness
In the 2021/22 to 2023/24 financial years the Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. The unaudited statements were not published at the date of this report except for 2021/22. The issues have been discussed by the Governance, Risk and Audit Committee where it was reported the delays were caused by staff shortages and the need to prioritise closing the budget gap. This demonstrates the associated risk of non-compliance with key financial controls and the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council.	<ul> <li>Reviewing the Council's financial statement closedown arrangements and plans to publish statement of accounts.</li> <li>Review Internal Audit reports and council committee papers to determine whether the staff shortages have impacted wider finance team responsibilities.</li> </ul>
The issue above is evidence of a risk in proper arrangements in how the Council ensures effective processes	

and systems are in place to ensure accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements.

# Executive Summary (continued)



### Reporting

Our interim commentary for 2023/24 is set out over pages 25 to 28. The interim commentary on these pages summarises our conclusions and our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24.

Appendix E includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 and 2022/23 Auditor's Annual Report and have been updated for 2023/24.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the <b>Council</b> plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the <b>Council</b> ensures that it makes informed decisions and properly manages its risks	Significant risks identified	Significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the <b>Council</b> uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

# Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

### No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code of Audit Practice, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2024. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

During 2023/24 the Council continued to manage the impact on finances of a number of issues such as general inflation, pay increases and uncertainties in relation to the amount of funding to be received in the future.

The final outturn position for general fund income and expenditure for the 2023/24 financial year was an overspend of £0.937 million. The overspend was caused by increased running costs and contractor costs. The deficit be funded from the General Reserve and the Treasury Management Reserve.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through budget monitoring reports taken to Cabinet meetings. The Council recognises the financial challenges ahead. The Council has budgeted a balanced budget in 2024/25, with the following years having a total budget gap of £8.159m (2025/26 to 2027/28). The savings plan presented to the Council in February 2024 suggests total savings of £3.426m until 2027-28, leaving net projected deficit of £4.733m. In order to deliver a balanced budget in the medium term, the Council needs to identify savings. Service managers must identify savings within their budgets. A budget gap will exist without these savings. The Council has sufficient reserves to ensure financial resilience, however these balances will continue to reduce as significant budget gaps in the Medium Term Financial Plan.

The budget estimates have been produced on a prudent basis, with an emphasis on identifying the existing cost pressures the Council faces and a realistic level of savings and efficiencies. The budget has been constructed so that all known costs are budgeted for, and income budgets are based on realistic projections. The budget is therefore constructed on a prudent basis, and we are satisfied with the robustness of the estimates.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

### Significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management. The primary responsibility for these arrangements and reporting on the design and operation of these arrangements, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2024. Our risk assessment identified one risk of significant weakness in arrangements in respect of governance.

The Council has continued to manage governance considerations. The Council reviewed the 2023/24 Budget and Medium Term Financial Strategy in February 2023, with further quarterly tracking and updates during 2023/24. The documents were taken to the Cabinet Committee for approval, which ensures that all Members are kept well informed of the process and financial performance of the Council.

The Council's Annual Governance Statement sets out the core governance arrangements for the year. This demonstrates how the Council's code of governance arrangements reflect the principles of good governance. The Head of Internal Audit concluded that for the 2023/24 financial year, reasonable assurance may be awarded over the framework of governance, risk management and controls at the Council.

The risk register and risk management policy were also updated in 2023/24. The risk register focuses on service, corporate and strategic risks. Risks on the register are reviewed quarterly at Governance, Risk and Audit Committee meeting, with elevation to Cabinet meetings for significant risks or issues identified to agree a programme of risk reduction.

Internal Audit issued a limited assurance regarding key financial controls for the 2022/23 financial year. Non-compliance with key financial controls represents a significant risk of weakness in the Council's governance arrangements. Based on the latest Internal Audit Reports, they have provided reasonable assurance on Key Financial Controls in 2023/24. Further in 2023/24 financial year. Internal Audit issued limited assurance over the controls related to post implementation of the new finance system and risk management. The Council agreed with recommendations raised and set out a response and timeframe to improve arrangements.

We further identified that improvements are required in the preparation of Statement of Accounts. The Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. As outlined in Governance, Risk and Audit Committee, the delays were caused by staff shortages and the need to prioritise closing the budget gap. This demonstrates the associated risk of non-compliance with key financial controls previously and the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council. The Council have taken action and increased resources in the Finance, they published financial statements for 2023/24 on 14 January 2025.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

### Significant weakness identified

The issue above is evidence of weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance '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' and 'How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.'

Based on the work performed, we have identified a significant weakness in the arrangements in 2023/24 that we will be reporting by exception in relation to Governance.

Recommendation: To assess the responsibilities and resource requirement of the finance function to ensure the Council has effective processes and systems to support its statutory financial reporting requirements and implement Internal Audit key financial control recommendations.

# Value for Money Commentary (continued)

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

### No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2024. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Improving economy, efficiency and effectiveness.

The Council prepares the Medium-Term Financial Strategy covering a 4 year period. It sets the vision, priorities, and strategic objectives for the Council. Priorities are based on the Council's Corporate Plan, which is tracked through an online Performance Portal which is available for general public access. The budget process incorporates the review of other strategies such as the capital and investment and treasury management, ensuring they are consistent.

The Performance Management Framework setting priorities that are relevant to Corporate Plan themes, taking account of stakeholders' needs and expectations. Performance reporting is maintained against the identified priorities and delivery measures, with quarterly reporting to the Cabinet and Overview and Scrutiny Committee throughout the year to continuously monitor performance and take prompt action as needed.

The Council has a procurement strategy to ensure services are procured in line with relevant legislation, professional standards and internal policies. Contract management arrangements monitor the delivery of services.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

# 05 Appendices

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# Appendix A - Management representation letter

### **DRAFT Management representation letter**

### Management Rep Letter

David Riglar Ernst & Young One Cambridge Square Cambridge CB4 OAE

This letter of representations is provided in connection with your audit of the financial statements of North Norfolk District Council ("the Authority") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of North Norfolk District Council as of 31 March 2024 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 2023/24.

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

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

#### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

- 2. We acknowledge, as members of management of the Authority, 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 Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.
- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Authority, we believe that the Authority 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 2023/24, that are free from material misstatement, whether due to fraud or error.
- 5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
- 6. We confirm the Authority 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 Authority'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.

## **DRAFT Management representation letter**

### Management Rep Letter

- 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 Authority (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 Authority's financial statements;
  - 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 Authority'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 noncompliance 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. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 3. We have made available to you all minutes of the meetings of the Authority and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2023/24 to the most recent meeting on the following date: [list date].
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority'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 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
- 6. We have disclosed to you, and the Authority 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.

### **DRAFT** Management representation letter

### Management Rep Letter

7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or 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.** 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.

### E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note 51 to the financial statements. All assets to which the Authority 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. Except as disclosed in the financial statements, we have no other line of credit arrangements.

### F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 Pension disclosures, Property, Plant and Equipment valuations 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.

### G. Estimates

- 1. We confirm that the significant judgments made in making the Property, Plant and Equipment valuations, and IAS 19 pension valuations 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 Property, Plant and Equipment valuations, and IAS 19 pension valuations.

## **DRAFT Management representation letter**

### Management Rep Letter

- 3. We confirm that the significant assumptions used in making the Property, Plant and Equipment valuations, and IAS 19 pension valuations appropriately reflect our intent and ability to carry out the assessments and valuations, and any specific courses of action on behalf of the entity.
- 4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
- 5. We confirm that appropriate specialized skills or expertise has been applied in making the Property, Plant and Equipment valuations, and IAS 19 pension valuations .
- 6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

### H. 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.

### I. Reserves

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

#### J. 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 consolidated and Council 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.
- 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 [X] to the consolidated and Council financial statements all guarantees that we have given to third parties.

### K. Going Concern

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

### L. Subsequent Events

1. Other than the events described in Note [X] 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.

## DRAFT Management representation letter

### Management Rep Letter

#### M. Other information

- 1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.
- 2. We confirm that the content contained within the other information is consistent with the financial statements.
- 3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

#### N. 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 including the impact resulting from the commitments made by the Authority and reflected in the financial statements.

Yours faithfully,

(Director of Resources)

(Chair of the Governance, Risk and Audit Committee)

# Appendix B – Fees

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

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

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

The original fees for these years were based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- ▶ The Council has an effective control environment; and
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <u>https://www.psaa.co.UK/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/</u>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix E.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2023/24	2022/23	2021/22
	£'s	£'s	£'s
Scale Fee - Code Work	149,591	41,667	41,667
Determined Scale Fee Variation	Note 1	Note 1	Note 1
Total audit	Note 1	Note 1	Note 1
Other non-audit services not covered above (Housing Benefits)	Note 2	Note 2	Note 2
Total other non-audit services		твс	твс
Total fees		TBC	твс

### All fees exclude VAT

Note 1 - As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24, 2022/23, 2022/21, and 2020/21 audits.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Note 2 - The 2021/22 Housing Benefit non-audit service has commenced and fees are yet to be determined. The 2022/23 Housing Benefit non-audit service has not started

# Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of:	This Completion report for Those Charged with
	<ul> <li>The planned scope and timing of the audit</li> </ul>	Governance
	<ul> <li>Any limitations on the planned work to be undertaken</li> </ul>	
	<ul> <li>The planned use of internal audit</li> </ul>	
	► The significant risks identified	
Significant findings from the audit	<ul> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> </ul>	This Completion report for Those Charged with Governance
	<ul> <li>Significant difficulties, if any, encountered during the audit</li> </ul>	
	<ul> <li>Significant matters, if any, arising from the audit that were discussed with management</li> </ul>	
	<ul> <li>Written representations that we are seeking</li> </ul>	
	<ul> <li>Expected modifications to the audit report</li> </ul>	
	<ul> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	
	Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	

# Appendix C – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required		
communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:	This Completion report for Those Charged with Governance
	<ul> <li>Whether the events or conditions constitute a material uncertainty</li> </ul>	
	<ul> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> </ul>	
	<ul> <li>The adequacy of related disclosures in the financial statements</li> </ul>	
Misstatements	<ul> <li>Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> </ul>	This Completion report for Those Charged with Governance
	<ul> <li>The effect of uncorrected misstatements related to prior periods</li> </ul>	
	<ul> <li>A request that any uncorrected misstatement be corrected</li> </ul>	
	<ul> <li>Material misstatements corrected by management</li> </ul>	
Fraud	<ul> <li>Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> </ul>	This Completion report for Those Charged with Governance
	<ul> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> </ul>	
	<ul> <li>Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:</li> </ul>	
	a. Management;	
	b. Employees who have significant roles in internal control; or	
	c. Others where the fraud results in a material misstatement in the financial statements	
	<ul> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> </ul>	
	<ul> <li>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</li> </ul>	
	<ul> <li>Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>	

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# Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable:	This Completion report for Those Charged with Governance
	<ul> <li>Non-disclosure by management</li> </ul>	
	<ul> <li>Inappropriate authorisation and approval of transactions</li> </ul>	
	<ul> <li>Disagreement over disclosures</li> </ul>	
	<ul> <li>Non-compliance with laws and regulations</li> </ul>	
	<ul> <li>Difficulty in identifying the party that ultimately controls the entity</li> </ul>	
Independence	<ul> <li>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</li> </ul>	This Completion report for Those Charged with Governance
	<ul> <li>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</li> </ul>	
	<ul> <li>The principal threats</li> </ul>	
	<ul> <li>Safeguards adopted and their effectiveness</li> </ul>	
	<ul> <li>An overall assessment of threats and safeguards</li> </ul>	
	<ul> <li>Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	
	<ul> <li>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</li> </ul>	

## Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	This Completion report for Those Charged with Governance
Consideration of laws and regulations	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	This Completion report for Those Charged with Governance
	<ul> <li>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</li> </ul>	
Internal controls	<ul> <li>Significant deficiencies in internal controls identified during the audit</li> </ul>	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	<ul> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	This Completion report for Those Charged with Governance

## Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

#### Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements." ISA 250A. para 3 "The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

The International Ethics Standard Board of Accountants' International Code of Ethics

(IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain: An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

#### Matter

- Suspected or known fraud or bribery
- ► Health and Safety incident
- Payment of an unlawful dividend
- ► Loss of personal data
- ► Allegation of discrimination in dismissal
- ► HMRC or other regulatory investigation
- Deliberate journal mis-posting or allegations of financial impropriety
- Transacting business with sanctioned individuals

#### Implication

- ► Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ► Potential breach of Companies Act 2006
- Potential GDPR breach
- Potential non-compliance with employment laws
- Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ► Potential breach of sanctions regulations

Examples of

Non-Compliance

with Laws and

Regulations

(NOCLAR)

## Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

### What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- Engage external specialists where needed
- Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

### **Financial Sustainability**

We set out below the arrangements for the financial sustainability criteria covering the financial year 2023/24 (01/04/2023 to 31/03/2024).

### Reporting Sub-Criteria Findings

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them The budget monitoring process where financial services meet with the budget managers and discuss spend to date and forecast for the remainder of the year identifies any financial pressures and additional income. This provides an essential tool for ensuring the current years budget is achievable and is also fundamental in ensuring the most up to date information is included in future budgets. These are reported to Cabinet and Scrutiny through the quarterly Budget Monitoring Reporting and to the Corporate Leadership Team, along with recommended action plans (if required) to ensure the overall budget can be met.

Through the budget setting process budget managers identify changes to budgets and report these to finance for inclusion in the new draft budgets. The budgets are collated by finance and show the net budget and funding and where required resources are re-allocated to ensure the budget remains affordable in the medium term.

The Council has the responsibility to provide strategic direction, which includes formulating the Council's Medium Term Financial Strategy (MTFS). The MTFS is designed to ensure that adequate resources are available to meet the Council's objectives. It projects the current financial situation and includes a three-year financial projection for the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually.

### **Financial Sustainability**

We set out below the arrangements for the financial sustainability criteria covering the financial years 2023/24 (01/04/2023 to 31/03/2024).

#### Reporting Sub-Criteria Findings

How the body plans to bridge its funding gaps and identifies achievable savings The budgets for 2023/24 are in a balanced position; however, there is a forecasted deficit for the following three years. The Council does hold sufficient reserves, based on their budget, to remain above the minimum level for the foreseeable future. As a result of the cost-of-living crisis and the potential impact it could have on the Council's resources, the budget has been revisited through Budget Monitoring Outturn reports. The Council continues to look for potential areas of savings as part of the budget-setting process, especially in light of ongoing wider economic challenges.

The Council's plan is to stimulate innovation, expand existing services, develop new business, and adopt an efficient, sustainable approach that generates greater financial and social returns. This assists the Council's financial resilience and sustainability, enabling it to safeguard and deliver the services that people need, and more effectively achieve its corporate aims and objectives while demonstrating the delivery of value for money (VFM). The Council has a Corporate Plan for 2023-27, the previous plan covered 2019-2023, to ensure they have clear aims and actions for the future, which helps the Council allocate resources to deliver services.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through budget monitoring reports taken to Cabinet meetings. The Council recognises the financial challenges ahead. The Council has budgeted a balanced budget in 2024/25, with the following years having a total budget gap of £8.159m (2025/26 to 2027/28). The savings plan presented to the Council in February 2024 suggests total savings of £3.426m until 2027-28, leaving net projected deficit of £4.733m. In order to deliver a balanced budget in the medium term, the Council needs to identify savings. The deficit will be funded from the General Reserve and the Treasury Management Reserve.

During the year, the Council has continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services, with quarterly budget monitoring reports taken to Cabinet meetings. The Council recognizes the financial challenges ahead and has budgeted a balanced budget for 2024/25, with the following years showing a budget gap (2025/26 to 2027/28). To deliver a balanced budget in the medium term, the Council needs to identify savings of £4.7 million. The Council has sufficient reserves to ensure financial resilience; however the Council must identify savings over the medium-term financial plan to mitigate the need to use available reserve balances.

A savings exercise was undertaken with officers and members, which identified several potential savings and initiatives to produce extra income, as reflected in the outturn report for 2023/24. The Council has a good track record of delivering savings, with greater scrutiny of savings having taken place since 2016/17 through the revenue monitoring process. The Council also identifies a risk that anticipated savings/efficiencies may not be achieved, with a possible significant impact and high likelihood. Regular monitoring and reporting take place, but the size of the funding cuts increases the likelihood of this risk.

### **Financial Sustainability**

We set out below the arrangements for the financial sustainability criteria covering the financial years 2023/24 (01/04/2023 to 31/03/2024).

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	As part of the budget setting process each year, the Council looks to align the demands on the budget with the strategic priorities of the Council. These priorities are based on the Council's Corporate Plan, which is tracked through an online Performance Portal that is available for general public access. A Delivery Plan reserve has been established in the year to support future progress against these plans
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The budget process incorporates the review of other strategies, such as capital investment and treasury management, to ensure consistency. The budgeting exercise ensures that the Medium-Term Financial Plan aligns with the priorities identified in the Corporate Plan. The financial plan considers shared service arrangements and recognizes the need to achieve efficiencies through these arrangements.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	Risks are identified through regular budget monitoring carried out between finance and budget managers. When action is required to manage identified risks, recommendations are made by finance to the Corporate Leadership Team, and if necessary, they are then reported to the Cabinet and Scrutiny Committees (and the Full Council if significant). Initially identified savings would be utilized to cover pressures. Where the Council identify additional income (windfall income), the Cabinet is responsible for considering how additional monies can be used; therefore, these funds cannot simply be used by the service that generated them. In the event that these measures are not sufficient to cover the pressures, the Council has reserves that it could draw upon as a one-off to fund the pressures, thereby creating time while additional savings are identified.

## Appendix E - Summary of arrangements

### Governance

We set out below the arrangements for the governance criteria covering the financial year years 2023/24 (01/04/2023 to 31/03/2024).

Reporting Sub-Criteria	Findings
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	The Risk Management Framework is regularly reviewed. Risk Reviews take place every quarter at the service, corporate, and strategic levels. Service risks that are significant enough are escalated for consideration to be added as corporate risks. The risk register is presented to the Governance, Risk, and Audit Committee on a quarterly basis. The Council has a Counter Fraud, Corruption, and Bribery Policy, as well as a Whistleblowing Policy. The Council seeks to deter and prevent fraud, corruption, and theft to ensure that all risks in these areas are reduced to the lowest level possible.
	Internal Audit issued a limited assurance opinion on risk management in October 2024. The Council agreed with recommendations raised and set out a response and timeframe to improve arrangements concerning the risk management policy and framework.
	The Council has an established internal audit function through the Norfolk Internal Audit Consortium. The Internal Audit plan is based on a risk-based approach, and the plan is approved by the Governance, Risk, and Audit Committee. Audit reports are presented to the Committee throughout the year, reporting on audit results and progress against recommendations.
How the body approaches and carries out its annual budget setting process	Each year, the finance department produces a budget timetable that identifies the tasks and key dates. Finance staff meet with budget holders to create a new budget for both revenue and capital, this considers changes in legislation, demand, and local and national factors. Once a draft budget and the proposed levels of fees and charges have been created, they are considered by the Corporate Leadership Team and the Cabinet. A final budget, with all changes considered and included where necessary, is taken back through the committees to the Full Council alongside the formal setting of the Council Tax, precepts, and other strategies. The budget from the previous year is used as the base to build upon, adjusting for known changes and forecasts.

### Governance

We set out below the arrangements for the governance criteria covering the financial year 2023/24 (01/04/2023 to 31/03/2024).

#### Reporting Sub-Criteria

#### Findings

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

The budget monitoring process, wherein financial services meet with budget managers to discuss spending to date and forecasts for the remainder of the year, identifies any financial pressures and additional income. This process provides assurances that the current year's budget is achievable and ensures that the most up-to-date information is included in future budgets. These are reported to the Cabinet and Scrutiny Committees through quarterly budget monitoring reports and to the Corporate Leadership Team, along with recommended action plans (if required) to ensure the overall budget can be met. The system provides the necessary data to serve as the base for the report, and experts in technical areas such as Treasury Management are utilized to support staff expertise.

The Section 151 officer has overall statutory responsibility for the proper administration of the authority's financial affairs, including the preparation of the Statement of Accounts and making arrangements for appropriate systems of financial control.

Internal Audit issued a limited assurance regarding key financial controls for the 2022/23 financial year. Key strategic findings include: the Council struggled to perform core financial reconciliations; investments have not been independently authorized since May 2022; aged debts have not been regularly reviewed; and car parking income has not been regularly reconciled. Based on the updated reports presented to Governance, Risk and Audit Committee, Internal Audit has now provided reasonable assurance over Key Controls Assurance in 2023/24.

During the year, Internal Audit issued limited assurance over the post implementation status of the new finance system. The new Finance system is operational but not fully functional due to challenges such as the departure of key personnel and lack of succession planning. 'Urgent' priority recommendations were raised concerning project management and the formal documenting of key decisions.

In the 2022/23 and 2023/24 financial year, the Authority was unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. The 2023/24 Statement of Accounts were published on 14 January 2025 (required date was 31 May 2024). Delays were caused by staff shortages and the need to prioritize closing the budget gap, resulting in the accounts process suffering.

The issue above is evidence of weaknesses in proper arrangements for supporting the Council's statutory reporting requirements and in having effective processes and systems for accurate and timely management information.

### Governance

We set out below the arrangements for the governance criteria covering the financial year 2023/24 (01/04/2023 to 31/03/2024).

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council's Constitution sets out the decision-making framework, which includes specifying which decisions are reserved for the Full Council and which are for the executive or a committee of the Council. Some decisions within the Constitution are delegated to officers, and these delegations are outlined in the Constitution. The Governance, Risk, and Audit Committee and the Overview and Scrutiny Committee play important roles in ensuring transparency and informed decision-making. The Governance, Risk, and Audit Committee provides oversight and monitors the governance, risk management, and internal control arrangements of the Council, assuring their effectiveness and efficiency. This is achieved through items received by the Committee, including but not limited to internal and external audit, key finance items, governance reviews, and strategic risk management reporting. The Overview and Scrutiny Committee that seeks to ensure the Cabinet is held to account, reliable services are provided, and value for money is achieved.
	During the year, Internal Audit issued limited assurance over the post implementation status of the new finance system. The new Finance system is operational but not fully functional due to challenges such as the departure of key personnel and lack of succession planning. Although the project was included in the Medium Project Board's progress reporting since late 2021, the updates were high-level and lacked detailed scrutiny, as evidenced by the absence of meeting minutes. There is no dedicated board with clear roles and responsibilities and detailed reporting and frequent meeting.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	Councillors are subject to the Member Code of Conduct, which relates not only to behaviour but also to the disclosure of interests. The Council maintains a register of each Member's interests, including both pecuniary and other interests. Each meeting agenda includes an item that invites Members to declare any interests they may have. This is supported by a flowchart and information provided within the meeting papers. There is a system in place for individuals to lodge complaints about a Member's conduct, and this procedure is published on the Council's website. When Members are offered gifts and hospitality, the Constitution requires that any gift or hospitality over a set value, or otherwise significant, must be registered with the Monitoring Officer. The Monitoring Officer maintains a list of such gifts and hospitality and reports this in the annual Monitoring Officer report. Officers are also subject to a Code of Conduct and have obligations to disclose potential conflicts of interest, gifts, and hospitality. Such gifts and hospitality are similarly recorded in the Monitoring Officer's report. A Member/Officer protocol defines the relationship and roles of these two Council bodies.

## Appendix E - Summary of arrangements

### Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the financial years 2023/24 (01/04/2023 to 31/03/2024).

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	The Performance Management Framework promotes the communication and understanding of performance management and provides guidance to those responsible for ensuring that performance management is applied effectively and consistently. It defines what performance management is, the key components, types of performance measures, the reporting framework, and roles and responsibilities. Performance management reports are presented to Cabinet on a quarterly basis and are reviewed by Overview and Scrutiny Committee.
	Financial performance data is regularly reported to committees through the budget monitoring reports.
How the body evaluates the services it provides to assess performance and identify areas for improvement	Each department sets performance targets annually. Benchmarking information against similar councils in England, using CIPFA's Nearest Neighbours model, is provided to assess relative performance and identify high-achieving councils. This comparison aims to review service delivery and improve outcomes for our customers. As part of the Corporate Plan for 2023-2027, a Performance Portal has been established where the public can access the Council's key targets and metrics, and view performance information relative to these targets.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to	The Council has a Customer Service Strategy and a complaints procedure, which, along with other processes such as Freedom of Information requests, allow for internal reviews of decisions. Members of the public have the opportunity to attend and ask questions at Full Council meetings and participate in other committees. The Performance Portal provides further transparency into the achievement of targets. The Council also works closely with neighbouring authorities to ensure efficiencies where possible.
improve	Decisions regarding Council representation in partnerships follow a set delegation scheme. The Cabinet approves delegations and plays a key role in forging partnerships with local organizations, provided there is no major policy change. While the Cabinet can delegate partnership-related functions, it remains accountable to the Full Council. The Monitoring Officer ensures high standards of conduct in financial dealings with partners and monitors the risk appraisal for contracts with external bodies. The Chief Financial Officer must confirm that satisfactory accounting arrangements will be adopted in relation to partnerships and joint ventures, including the verification of third-party identities. Directors must secure approvals prior to finalizing negotiations with external entities.

### Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the financial years 2023/24 (01/04/2023 to 31/03/2024).

Reporting Sub-Criteria	Findings
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Council employs an officer as a procurement specialist who can provide knowledge and expertise to other officers, with assistance from the Council's in-house legal service when required. A Procurement Strategy, which is vital for securing best value, supports the Council's priorities and provides information about the Council's procurement values and principles. The Council's Constitution contains Contract Procedure Rules that set out the required procedures depending on the expected value of a contract and the situations in which an exemption from these rules can be granted. The Chief Financial Officer and the Monitoring Officer have oversight in such circumstances.

### Appendix F - PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

#### Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having
  access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an
  adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates
  made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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