

# East Suffolk Completion Report for Those Charged with Governance

Years ended 31 March 2022 and 31  
March 2023

Report issued – 27 November 2024





East Suffolk Council  
Audit and Governance Committee  
East Suffolk House, Station Road, Melton, IP12 1RT

27 November 2024

Dear Audit and Governance Committee

#### Completion Report for Those Charged With Governance

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Audit and Governance Committee of East Suffolk Council (the Council) with a detailed complete report covering our approach and outcomes of the 2021/22, 2022/23 audits.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 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 audit 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 years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year, we have taken into account the SI and Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. Against this backdrop, we have also considered the Committee's service expectations.



The Audit and Governance Committee, as the Authority'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 Authority's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw the Audit and Governance Committee members and officers' attention 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 Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. 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 (<https://www.psaa.co.UK/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee of East Suffolk Council. Our work has been undertaken so that we might state to the Audit and Governance Committee of East Suffolk Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee of East Suffolk 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 – System wide and local context

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of 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 professions
- 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

DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist 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 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.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Council's 2021/22 and 2022/23 accounts. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2021/22 and 2022/23 financial statements and the form of the audit report.





# Executive Summary – Local context

## Local Background and Context

The position at East Suffolk District Council has developed over recent years resulting in unaudited financial statements for 31 March 2022 and 31 March 2023.

The main reasons for the Council's financial statements not being audited and signed to date include:

- ▶ The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2021/22 and 2022/23 audit years.
- ▶ In addition, there were a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets, taking into account the updated pension fund valuations, which led to delays to the prior year 2020/21 audit being completed.
- ▶ In addition, significant additional work had to be undertaken by the Council to establish the level of provision required in the 2020/21 and 2019/20 financial statements in relation to the Council's non-compliance with the rent standard. This also resulted in significant additional audit work and resulted in the 2020/21 audit not being able to be completed and the audit report issued until December 2023.
- ▶ As a result of the delay to the 2020/21 audit, we did not have audit resource available to complete our detailed audit procedures that would be needed to issue an unmodified audit reports on the 2021/22 or 2022/23 financial statements before the backstop date.

The Council has however presented draft statements of accounts for audit within the regulatory timeframe in recent years, publishing their draft statement of accounts on 1 August 2022 for 2021/22 and 1 June 2023 for 2022/23,





# Executive Summary – Report structure and work completed

## Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 – Executive Summary – this section setting out the national and local context and the structure of our report.

Section 2 – Work Plan – We have completed the following planning tasks:

- ▶ Required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- ▶ Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,
- ▶ Identified significant, inherent and other areas of higher risk or focus.
- ▶ Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 3 – Results and findings - Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 4 – Value for money reporting

- ▶ The value for money report covering the year to 31 March 2022, 31 March 2023.


Section 5 - Appendices





# 02 Work Plan





# Work Plan – Audit Scope

## Audit scope

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

- ▶ Our audit opinions on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2022 and 31 March 2023 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 04.

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 the SI imposes a backstop date of 13 December 2024, 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 opinions and fulfil all the objectives of all relevant ISAs (UK).

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

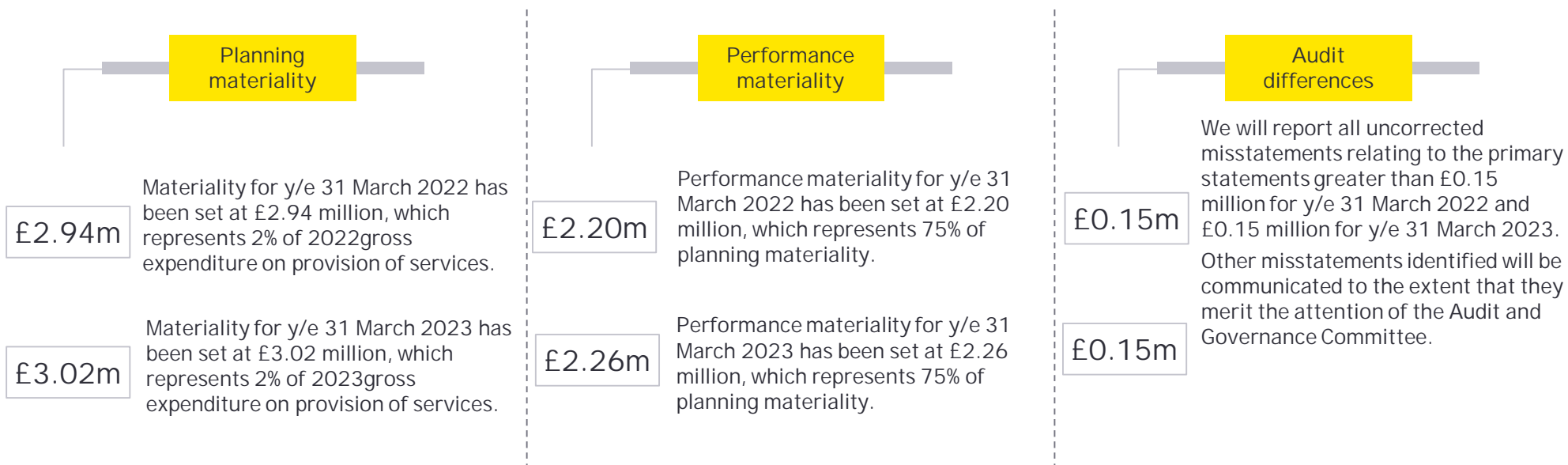
If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (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).<sup>4</sup> (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing disclaimed audit reports.



# Work Plan - Materiality

## Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the draft financial statements for the 2021/22 and 2022/23 financial years, based on our experience from the 2020/21 audit year. 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 the materiality levels set out above. This level of materiality remains appropriate for the actual results for the financial year.

These materiality levels have been set based on the main Council financial statements – we have not considered group materiality. These levels are being used to assess our response to any issues identified in the East Suffolk Council'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(s).

## Audit risks and areas of focus

Risk/area of focus	Applicable year(s)	Risk identified	Change from PY	Details
Incorrect capitalisation of revenue expenditure	All years covered by this report	Fraud risk / Significant risk	No change in risk or focus	In considering how the risk of management override may present itself, we concluded that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and capital expenditure and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.
Misstatement due to fraud or error	All years covered by this report	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.
Land and buildings and investment properties valuations	All years covered by this report	Inherent Risk	No change in risk or focus	Land and building valuations and investment properties) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet
Pension liability valuation and disclosures	All years covered by this report	Inherent Risk	No change in risk or focus	<p>The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>



# 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

- ▶ 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

### Final stage

- ▶ 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 Debbie Hanson, 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 company. Examples include where we have an investment in your company; 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, the current ratio of non-audit fees to audit fees is approximately 0.6:1 for 2021/22 and 0.18:1 for 2022/23. No additional safeguards are required.

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.

## Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review 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 company. 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.





## 03 Results and findings





# Results and findings

## Status of the audit

Our audit work in respect of the 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 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, a current draft of which is included within this report.

## Value for Money

Our value for money (VFM) work is complete and reported in Section 04 of this report.

We identified a risk of significant weakness in respect of governance arrangements in 2021/22. Having updated and completed the planned procedures in these areas we identified a significant weakness in governance arrangements for 2021/22. We did not identify a risk of significant weakness or any actual weakness in relation to 2022/23. See Section 04 of the report for further details.

## Audit differences

We did not identify and differences from the procedures we undertook on the financial statements.

We noted however that the Council has made a number of changes to the draft 2021/22 and 2022/23 financial statements. These were made due to timing of publication of the draft accounts being before the completion of the 2020/21 audit. The changes as a result of the 2020/21 audit have been updated in the final sets of accounts for 2021/22 and 2022/23 which will be approved by the Council in December 2024. We further note that the Council has made changes to amounts recognized in the fixed asset register after completing a detail review of asset existence in 2022/23 and in respect of the HRA rent provision on the completion of internal assessment of the level of overcharging which had occurred.





# Results and findings

## 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.

The Comptroller and Auditor General has confirmed that he plans to issue his opinion and certificate on the 2022-23 Whole of Government Accounts on 22 November 2024. Given we expect to issue our 2022/23 audit report after that date but before the statutory backstop of 13 December 2024, we expect to be able to certify completion of the audit as part of our final 2022/23 audit report.

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

During the course of the 2020/21 audit, we became aware of instances of non-compliance with laws and regulations in relation to the rent setting standard which also impacted on 2021/22. This has required us to complete extended procedures in order to assess the risk to the financial statements and the Council's value for money arrangements. Having completed these procedures, we concluded they had a material impact on the financial statements for both 2021/22 and 2022/23 in terms of the need for a provision required and represented a significant weakness in governance arrangements in 2021/22.

## 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].





# Results and findings

## 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 East Suffolk 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 Audit and Governance Committee or Directors.

## Control observations

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

- ▶ The Council made a self-referral to the Regulator of Social Housing (RSH) in February 2022 as it had identified issues with the completion of statutory health and safety checks and the level of rent it had charged a large number of its tenants. On 25 May 2022, the RSH issued the Council with a Regulatory Notice in relation to this issue.
- ▶ An Internal Audit report has raised some control deficiencies in relation to Coastal Partnership East contracting arrangements in 2022/23. An agreed action plan, to address Internal Audit's recommendations, is in the process of being implemented.

## Independence

Further to our review of independence in Section 02 of this report we have not identified any issues to bring to your attention..





# Results and findings

## 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



# Results and findings - Audit Report 2021/22

Draft audit report

Our opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST SUFFOLK COUNCIL

### Disclaimer of Opinion

We were engaged to audit the financial statements of East Suffolk Council 'the Council' and its subsidiaries (the 'Group') for the year ended 31 March 2022. The financial statements comprise the:

- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Movement in Reserves Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 35,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 9,
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024. This requirement meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion as we had insufficient resources in the time available to perform all necessary procedures. We were not able to complete our 2020/21 audit and issue our opinion until December 2023. This was as a result of the significant additional work that had to be undertaken to address matters involving value for money and non-compliance with laws and regulations which also resulted in the need for a material provision in the 2020/21 financial statements. No work has been completed in respect of any audit area in 2021//22 because of this limitation. Therefore, we are disclaiming our opinion on the financial statements.

### Matters on which we report by exception

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

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)



# Results and findings - Audit Report 2021/22

Draft audit report

Our opinion on the financial statements

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

We have nothing to report in these respects.

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

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

We report to you, if we are not satisfied that the Council and the Group has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2022.

## Significant weakness in arrangements

During 2019/20, the Council identified a possible breach of regulations the conversion of rental charges on its social housing from social to affordable rent. The Council obtained legal advice which it received in February 2020, and which recommended the Council self-referred to the Social Housing Regulator. No action was taken by the Council to progress the matter between March 2020 and November 2021 and neither internal, nor external audit were made aware of the issue until December 2021. This weakness left the Council exposed to financial losses as a result of overcharging of rent and service charges the need to repay such sums and compensate tenants for the overcharging, along with the costs associated with investigating the issue and quantifying the sums due for repayment, as well as reputational damage.

In forming our assessment, we have considered and reviewed:

- The legal advice obtained by the Council in February 2020 regarding the continued conversion of properties from social to affordable rents;
- The February 2022 report from external consultants on their review of the Council's approach to rent setting against the Regulator of Social Housing Rent Standard which was commissioned by the Council;
- Further legal advice obtained by the Council in March 2022 to provide a second opinion in relation to the regulatory compliance issues and also in relation to whether or not some of the charges that have been levied have been properly charged, whether as rent or service charges;
- The output from forensic review of rent charges commissioned by the Council from external consultants to ensure that any overpayments were returned to affected tenants;



# Results and findings - Audit Report 2021/22

## Draft audit report

## Our opinion on the financial statements

- The Council's calculation of the estimated provision required in relation to overcharged service charges included in the 2020/21 accounts based on the external consultants' forensic review; and
- The June 2023 report from the Governance Review of Housing Services which was commissioned by the Council.

Following the identification of the issue in December 2021, the Council has taken action to remedy the situation and has included provision of £3.8 million in its 2020/21 financial statements in relation to the repayments it has calculated as being due to housing tenants in relation to overcharging of services charges, which it has a legal obligation to repay. It has also restated the comparator figures in the accounts to reflect a provision of £3.6 million as at 31 March 2020 in relation to this issue. In addition, the Council has concluded that it has a constructive obligation to repay overcharged rent as a result of incorrect conversion and will reflect a provision of £7.879 million in its 2021/2 financial statements in relation to this issue.

We recommend the Council:

- Implement the recommendations from the external review of the governance arrangements in the housing department as a priority.
- Put arrangements in place to ensure that any suspected non-compliance of regulations from any department are reported to internal and external audit as soon as they are identified.
- Address any suspected non-compliance with regulations in a timely manner by reporting any such concerns to a suitable Committee of the Council, ensuring action plans to address any non-compliance are progressed in a timely manner.

This issue is evidence of weaknesses in proper arrangements for:

- 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;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency;
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 22, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



# Results and findings - Audit Report 2021/22

Draft audit report

Our opinion on the financial statements

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

We obtained and read the legal advice obtained by the Council related to the incorrect conversion of rents and incorrect inclusion of service charges along with the work of specialists engaged by the Council to assess the resultant level of overcharging. We read the Governance Review of Housing Services commissioned by the Council which was issued in June 2023.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether East Suffolk Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Suffolk Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

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

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



# Results and findings - Audit Report 2021/22

Draft audit report

Our opinion on the financial statements

## Certificate

We certify that we have completed the audit of the accounts of East Suffolk Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to the members of East Suffolk Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Council and the Group and Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Debbie Hanson (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*Luton*  
*11 December 2024*

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 27 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.



# Results and findings - Audit Report 2022/23

Draft audit report

Our opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST SUFFOLK COUNCIL

### Disclaimer of opinion

We were engaged to audit the financial statements of East Suffolk Council 'the Council' and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 37 including a summary of significant accounting policies
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 9
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

The audit of the 2021/22 financial statements for East Suffolk Council was not completed for the reasons set out in our opinion on those financial statements dated 11 December 2024. As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements before the 13th December 2024 backstop date.

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

### Matters on which we report by exception

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

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)



# Results and findings - Audit Report 2022/23

Draft audit report

Our opinion on the financial statements

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

## Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 21, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so. The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## Auditor's responsibilities for the audit of the financial statements

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

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

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



# Results and findings - Audit Report 2022/23

Draft audit report

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether East Suffolk Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness.

The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Suffolk Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

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

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

## **Certificate**

We certify that we have completed the audit of the accounts of East Suffolk Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

## **Use of our report**

This report is made solely to the members of East Suffolk Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Council and the Group and Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Debbie Hanson (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*Luton*  
*11 December 2024*

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 27 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.





## 04 Value for Money





# VFM - Executive Summary

## Purpose

Auditors are required to be satisfied that the Authority 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, auditors 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).

The purpose of this commentary is to explain the work we have undertaken to assess the Council's arrangements during the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for the audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

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;
- An explanation of the planned responsive audit procedures to the significant risks identified; and
- Findings from our planned procedures.

We provided a detailed summary of arrangements over the period covered by this report in our Interim Value for Money report presented to the Audit and Governance Committee in July 2024.





# VFM - 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 East Suffolk Council committee reports;
- meetings with the management and key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with East Suffolk Council management and the finance team.

We completed our risk assessment procedures and identified a risk of significant weaknesses in the Council's governance arrangements to respond to a non-compliance with the rent standard between March 2020 and November 2021, which therefore impact on our assessment for 2021/22. This was the same risk identified in 2020/21. We did not identify any risk of significant weakness in arrangements for 2022/23.

Having completed our procedures to respond to this risk, we have concluded that the failure to take timely action when the non-compliance was initially identified continues to represent a significant weakness in governance arrangements in 2021/22. We therefore plan to report by exception details of the significant weakness in our auditor's report. This weakness was also reported in the 2020/21 Auditor's Annual Report that was issued in December 2023.



# VFM - Executive Summary (continued)

## Reporting

We presented our Interim Value for Money Report for 2021/22 and 2022/23 to the Audit and Governance Committee in July 2024.

The detailed arrangements and processes underpinning the reporting criteria were reported in our 2021/22 Auditor's Annual Report and have been updated for 2021/22 and 2022/23. These updates were reported in our Interim Value for Money Report and are not repeated in this report.

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?
Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Authority ensures that it makes informed decisions and properly manages its risks	<p>We identified a significant risk in relation to the Council's failure to take timely action in relation to non-compliance with the rent standard between when it was initially identified and November 2021.</p> <p>This impacts on our assessment of arrangements for 2021/22 only</p>	<p>There were significant weaknesses in the governance arrangements within the Council, and in particular within the Council's Housing Department, during 2021/22.</p> <p>The weaknesses, relate to:</p> <ul style="list-style-type: none"><li>• Lack of adequate controls to ensure compliance with laws and regulations – specifically in relation to housing services</li><li>• Lack of adequate governance and risk management procedures to ensure there was an adequate response when the non-compliance issue was identified</li><li>• Lack of adequate governance arrangements to ensure appropriate communication of the issue with senior management and members as well as internal and external audit on a timely basis</li></ul>
Improving economy, efficiency and effectiveness: How the Authority 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 has adhered to its governance processes for setting a balanced budget and regularly updating its Medium Term Financial Strategy (MTFS). The budget and MTFS are underpinned by assumptions that we deemed reasonable and are well supported.

During 2021/22 and 2022/23 the Council continued to manage the impact of finances pressures such as inflation, pay increases and uncertainties in relation to the amount of funding to be received in the future.

At the 2022/23 year-end, the Council reported a surplus outturn position of £0.768 million. The Council received additional income from treasury management activities, which contributed over £1 million to the General Fund due to interest rate increases. As a result of the improved position, the Council was able to put the reported surplus into the In-Year Savings Reserves – the purpose of which is to provide funding to address future budget pressures. It was anticipated for this reserve to be used (£1.098 million) to balance the General Fund budget for the year. However, given the surplus position this was not required, placing the Council in a stronger than expected financial position going into 2023/24. A balanced budget was set for 2023/24 without the need to use general fund reserves.

During both 2021/22 and 2022/23, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through quarterly budget monitoring reports taken to cabinet meetings. 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.

The February 2023 MTFS notes a cumulative budget gap of £15.9 million over the period of the MTFS to 2026/27. The MTFS includes saving of circa £2.3 million each year to help bridge this gap. In addition, the Council holds a number of risk-based reserves totalling approximately £20 million which can be used to help manage short term budget pressures. The Council also maintains an unallocated general fund balance of between £4 million and £6 million (as recommended by the Section 151 Officer). This reserve is projected to be maintained at £6 million throughout the period of the MTFS. Although the Council therefore has adequate reserves, it is important to note that reserves can only be used once, and it is therefore important that the Council continues its scenario assessment of the savings requirement and identification of relevant schemes to achieve the annual savings requirements to minimise the use of reserves.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 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 in 2021/22

Significant weakness in governance arrangements – key findings:

In our 2022/21 Auditor's Annual Report, we reported that there were significant weaknesses in the governance arrangements within the Council, and in particular within the Housing Department, of East Suffolk Council during 2020/21. These weaknesses continued through to November 2021 and therefore remain weaknesses in arrangements in 2021/22.

Our judgement on the nature of the weakness identified that:

During 2019/20, the Council identified a possible breach of regulations relating to the conversion of rental charges on its social housing from social to affordable rents. The Council obtained legal advice on the matter, which it received in February 2020. This recommended that the Council self-referred to the Social Housing Regulator. At this point the Council wrote to the Ministry of Housing, Communities and Local Government (MHCLG). They did not receive a response from MHCLG and did not follow up on the issue until November 2021. Management did not inform internal or external audit of the issue until December 2021. No action was taken by the Council to progress the matter between March 2020 and November 2021.

We have concluded that there were significant weakness in the Council's governance arrangements, in particular within the housing department, in 2020/21. The weaknesses, in particular, relate to:

Lack of adequate controls to ensure compliance with laws and regulations – specifically in relation to housing services

Lack of adequate governance and risk management procedures to ensure there was an adequate response when the non-compliance issue was identified

Lack of adequate governance arrangements to ensure appropriate communication of the issue with senior management and members as well as internal and external audit on a timely basis

The evidence on which our view is based includes:

The legal advice obtained by the Council in February 2020 regarding the continued conversion of properties from social to affordable rents;

The February 2022 report from external consultants on their review of the Council's approach to rent setting against the Regulator of Social Housing Rent Standard which was commissioned by the Council;

Further legal advice obtained by the Council in March 2022 to provide a second opinion in relation to the regulatory compliance issues and also in relation to whether or not some of the charges that have been levied have been properly charged, whether as rent or service charges;

The output from a forensic review of rent charges commissioned by the Council from external consultants to ensure that any overpayments were returned to affected tenants;

The Council's calculation of the estimated provision required in relation to overcharged service charges included in the 2020/21 accounts based on the external consultants' forensic review; and

The June 2023 report from the Governance Review of Housing Services which was commissioned by the Council.



# Value for Money Commentary (continued)

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

Significant weakness identified in 2021/22

Significant weakness in governance arrangements – key findings (continued):

The impact on the Council is set out below:

- An independent review, concluded in February 2022, confirmed that by continuing to convert rents from social to affordable rents above the level permitted by regulation, the Council had breached housing regulations. At this point, the Council self-referred to the Social Housing Regulator.
- The external consultants also identified incorrect inclusion of heating service charges in rents and a failure to comply with home consumer standards, in particular fire safety.
- As a result of the conversion and rent setting issues, rent had been overcharged for several years. Following further legal advice that confirmed the Council had a legal obligation to repay these overcharges, the Council reengaged the external consultants to undertake a detailed review of all tenancies going back to 2010/11 to identify the level of overcharge for each individual tenant
- Following the completion of this work the Council has taken action to remedy the situation and has made tenants aware of the issue and their right to repayment. In early 2022, they put in place a new compliance dashboard which will provide real-time recording, as well as an HRA Asset Management and Compliance Strategy. They also commissioned an external Governance Review of Housing Services which reported in June 2023.
- The Council have included a provision of £3.8 million in the 2020/21 financial statements for the repayments due to housing tenants in relation to overcharging of services charges. Comparator figures in the accounts have also been restated to reflect a provision of £3.6 million as at 31 March 2020.
- In addition, the Council has concluded that it has a constructive obligation to repay overcharged rent as a result of incorrect conversion and has included a provision of £4.17 million in its 2022/23 financial statements, along with £4.50 million in relation to overcharged service charges.

The weakness in arrangements exposed the Council to financial losses as a result of overcharging of rent and service charges. In addition, the Council incurred costs of around £300,000 in investigating the issue and quantifying the sums due for repayment. The Council was also exposed to reputational damage due to the failure to take appropriate and timely action when the incorrect rent conversion was initially identified as a potential issue in 2019/20 and then in February 2020 when the legal advice confirmed the non-compliance with the rent standard due to the rent conversions. The failure to comply with home consumer standards is also a reputational risk for the Council and this also has financial implications.



# Value for Money Commentary (continued)

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

Significant weakness identified in 2021/22

Significant weakness in governance arrangements – key findings (continued):

We recommend that the Council:

- Implement the recommendations from the external review of the governance arrangements in the housing department as a priority
- Put appropriate governance arrangements in place to ensure that any suspected non-compliance with regulations in any department are reported to senior management and an appropriate Committee of the Council as well as internal and external audit on a timely basis
- Put appropriate governance arrangements in place to ensure any risks related to suspected non-compliance with regulations are included in the Service or Corporate risk register in a timely manner and that any action plans to address any non-compliance are progressed in a timely manner

Management response

When the Council identified it believed it was non-compliant with the RSH Rent Standard it immediately commissioned a significant forensic audit. This was to ensure a robust and in-depth review of every tenancy record held from 2010 to present day was checked for any overcharging or erroneous service charges, which may have been levied. A Rents Development Group was created in the Summer of 2022. The Group developed the first Rent and Service Charge Policy for the Council which was approved by Cabinet on 7 March 2023. The group will oversee the rent refund programme and will review the annual rent setting process, ensuring an annual sample audit is conducted by external specialists, who specialise in rent regulation.

With the Council's self-referral letter to the Regulator of Social Housing (RSH), the Council committed to an independent governance review which was reported to the Audit & Governance Committee on 10 July 2023, along with a management response to the review recommendations which have been accepted and actioned (or are in the process of being actioned) so that best practice and good governance arrangements are in place moving forward to support decision making and to help identify, manage, mitigate and monitor risks. The Council has taken significant steps to address the shortcomings identified in the review and to prevent recurrence. Corporate Leadership Team (CLT) meetings have agenda items with specific focus on key areas, which includes Governance and Risk. Minutes are taken of CLT meetings and actions are followed up. Where the work of internal audit identifies high level risks these are considered and incorporated into the Corporate Risk Register. The Chief Executive also convenes quarterly 'golden triangle' meetings of the Chief Executive, Section 151 Officer and Monitoring Officer. A Constitution Review Working Group was established in July 2023 and a review of the Constitution is in progress. Governance training will be prepared and delivered on the revised Constitution to elected Members, existing staff, with a focus on the Corporate Leadership Team.



# Value for Money Commentary (continued)

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

Significant weakness identified in 2021/22

## Overall arrangements

The Council produces Budget Setting Reports and MTFS updates on an annual basis in February, with further quarterly tracking and updates during both 2021/22 and 2022/23. The budget and MTFS reports are taken to the Cabinet for approval, which ensures that all Members are kept well informed of the process.

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 provided a reasonable assurance opinion for both the 2021/22 and 2022/23 financial years in relation to the framework of governance, risk management and controls at the Council.

The risk register and risk management policy were also updated in 2021/22 and 2022/23 and focus on strategic, operational and project risks. Risks on the register are reviewed at every Audit Committee meeting, with elevation to full Council for significant risks or issues identified.

The Council published their draft statement of accounts for audit on 1 August 2022 for 2021/22 and 1 June 2023 for 2022/23, in line with the Audit and Accounts regulations for those financial years and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2021/22 and 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger and were prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year.

The Council has appropriate governance arrangements in place relating to partnership working and collaboration with other local authorities.

## Conclusion:

Based on the work performed and our consideration of the impact of the Council's non-compliance with the rent standard on our reporting in relation to the Council's value for money arrangements, we have concluded that the non-compliance represents a significant weakness in governance arrangements in 2021/22.

Based on the work performed, the Council had proper arrangements in place in 2022/23 to ensure that it makes informed decisions and properly manages its risk.



# 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 '*Strategic Plan*' for 2020 to 2024 has been introduced in recent years, which sets the vision, priorities, and strategic objectives for the Council. The Council prepares the Strategic Plan alongside the Medium-Term Financial Strategy over a 4-year period. The Strategic Plan is disaggregated into a Delivery Plan over rolling 2-year periods.

The 'Delivery Plan' for 2022-2024 integrates strategic priorities based on the 'Strategic Plan' which is agreed each year by the Council. Performance reporting is undertaken against the identified strategic priorities and delivery measures, with regular reporting on performance and finances taken to the Cabinet throughout the year to continuously monitor performance and take prompt action as needed.

The Council also has a procurement strategy and contract management process in place. There are also service level agreements for partnership and collaboration working arrangements, and formal protocols for entering into new funding arrangements.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.





## 05 Appendices



# Appendix A – Management representation letter- draft

## Management representation letter - draft

### Management Rep Letter

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

#### **Ernst & Young**

**400 Capability Green  
Luton  
LU1 3LU**

This letter of representations is provided in connection with your audit of the consolidated and parent financial statements of East Suffolk Council ("the Group and Council for the year ended 31 March 2022. 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 consolidated and parent financial statements give a true and fair view of the of the Group and Council financial position of East Suffolk Council as of 31 March 2022 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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our consolidated and Council 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 for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), 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.



# Appendix A – Management representation letter

## Management representation letter

### Management Rep Letter

4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), that are free from material misstatement, whether due to fraud or error.  
The comparative amounts have been restated to reflect the below matters and appropriate note disclosure of these restatements have also been included in the current year's consolidated and parent Council financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]*  
There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Council financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Council financial statements for the year ended **31 March 2022** are solely the result of reclassifications for comparative purposes.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group and Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
  - involving financial improprieties;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;



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- 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 Group and Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

#### **C. Information Provided and Completeness of Information and Transactions**

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

1. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
2. We have made available to you all minutes of the meetings of the Group and Council/ and committees including the Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 3 December 2024.
3. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
4. 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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).



# Appendix A – Management representation letter

## Management representation letter

### Management Rep Letter

1. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
2. From 11 December 2023 (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. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

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 32 to the financial statements all guarantees that we have given to third parties.

#### E. Ownership of Assets

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



# Appendix A – Management representation letter

## Management representation letter

### Management Rep Letter

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

We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and IAS19 pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### G. Estimates

##### Valuation of land and buildings included in property plant and equipment and investment properties

1. We confirm that the significant judgments made in making the valuation of land and buildings included in property, plant, and equipment and investment property estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land and buildings and investment properties estimate..

3. We confirm that the significant assumptions used in making the valuation of land and buildings and investment properties estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income behalf of the Group and Council.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings and investment properties estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

#### IAS 19 Pensions liability

1. We confirm that the significant judgments made in making the IAS 19 pensions liability estimate have taken into account all relevant information of which we are aware.



# Appendix A – Management representation letter

## Management representation letter

### Management Rep Letter

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 pensions liability estimate.
3. We confirm that the significant assumptions used in making the IAS 19 pensions liability estimate appropriately reflect our intent and ability to continue to participate in the Suffolk Pension Fund.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 Pensions Liability estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity 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. 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 consolidated or Council entity financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated or Council entity 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.



# Appendix A – Management representation letter

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#### . Going Concern

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

#### L. Subsequent Events

1. Other than events described in Note 6 to the consolidated and Council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 21-22 including the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

1. We confirm that the Annual Governance Statement for 2021/22 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2021/22 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

#### 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 in the consolidated and Council financial statements.

#### G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

*Yours faithfully,*

\_\_\_\_\_  
(Chief Financial Officer/Finance Director)

\_\_\_\_\_  
(Chair of the 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.

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; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

	2022/23	2021/22	2020/21
	Note 1	Note 1	Note 1
	£	£	£
Total Fee – Code Work	60,034	60,034	60,034
Other	TBD	TBD	70,726
<b>Total audit</b>	<b>TBD</b>	<b>TBD</b>	<b>130,760</b>
Other non-audit services not covered above (Housing benefits certification)	11,000 (est)	38,000	33,180
<b>Total other non-audit services</b>	<b>11,000 (est)</b>	<b>38,000</b>	<b>33,180</b>
<b>Total fees</b>	<b>TBD</b>	<b>TBD</b>	<b>163,940</b>

*All fees exclude VAT*

Note 1: As set out in the joint statement issued by DLUHC on update to proposals to clear the backlog and embed timely audit, PSAA will use its fee variation process to determine the final fee the Council have to pay in respect of the 2022/23 audit.

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.



# 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.
	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Completion report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	This Completion report for Those Charged with Governance



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

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



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

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Completion report for Those Charged with Governance
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</li> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	This Completion report for Those Charged with Governance



# 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 style="list-style-type: none"> <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	<ul style="list-style-type: none"> <li>▶ 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</li> <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>	This Completion report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	This Completion report for Those Charged with Governance
Group audits (delete if not a group audit)	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	This Completion report for Those Charged with Governance



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

		Our Reporting to you
Required communications	What is reported?	When and where
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 style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <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."

ISA 250A, para 3

"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

## Examples of Non-Compliance with Laws and Regulations (NOCLAR)

### 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



# 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



# Appendix E – VFM – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report, 2021/22 to 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
We identified a significant risk in relation to the Council's failure to take timely action in relation to noncompliance with the rent standard between when it was initially identified and November 2021.	<p>We recommend that the Council:</p> <ul style="list-style-type: none"><li>• Implement the recommendations from the external review of the governance arrangements in the housing department as a priority.</li><li>• Put appropriate governance arrangements in place to ensure that any suspected non-compliance with regulations in any department are reported to senior management and an appropriate Committee of the Council as well as internal and external audit on a timely basis.</li><li>• Put appropriate governance arrangements in place to ensure any risks related to suspected non-compliance with regulations are included in the Service or Corporate risk register in a timely manner and that any action plans to address any non-compliance are progressed in a timely manner.</li></ul>	<p>When the Council identified it believed it was non-compliant with the RSH Rent Standard it immediately commissioned a significant forensic audit. This was to ensure a robust and in-depth review of every tenancy record held from 2010 to present day was checked for any overcharging or erroneous service charges, which may have been levied. A Rents Development Group was created in the Summer of 2022. The Group developed the first Rent and Service Charge Policy for the Council which was approved by Cabinet on 7 March 2023. The group will oversee the rent refund programme and will review the annual rent setting process, ensuring an annual sample audit is conducted by external specialists, who specialise in rent regulation.</p> <p>With the Council's self-referral letter to the Regulator of Social Housing (RSH), the Council committed to an independent governance review which was reported to the Audit &amp; Governance Committee on 10 July 2023, along with a management response to the review recommendations which have been accepted and actioned (or are in the process of being actioned) so that best practice and good governance arrangements are in place moving forward to support decision making and to help identify, manage, mitigate and monitor risks. The Council has taken significant steps to address the shortcomings identified in the review and to prevent recurrence. Corporate Leadership Team (CLT) meetings have agenda items with specific focus on key areas, which includes Governance and Risk. Minutes are taken of CLT meetings and actions are followed up. Where the work of internal audit identifies high level risks these are considered and incorporated into the Corporate Risk Register. The Chief Executive also convenes quarterly 'golden triangle' meetings of the Chief Executive, Section 151 Officer and Monitoring Officer. A Constitution Review Working Group was established in July 2023 and a review of the Constitution is in progress. Governance training will be prepared and delivered on the revised Constitution to elected Members, existing staff, with a focus on the Corporate Leadership Team.</p>





# 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.*



A photograph of a man and a woman in a library setting. The man, on the left, has a beard and glasses, wearing a light pink shirt, and is looking down at a book. The woman, on the right, has short brown hair and is wearing a dark floral patterned top, also looking at the book. They are standing in front of a bookshelf filled with books of various colors.

# Appendix G – Other Communications

## EY Transparency Report 2023

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: [EY UK 2024 Transparency Report](#).



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UKC-024050 (UK) 07/22. Creative UK.

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