

Suffolk County Council
Completion Report for Those
Charged with Governance

Year ended 31 March 2023

Report issued - 7 November 2024



Audit Committee
Suffolk County Council
Endeavour House
8 Russell Rd, Ipswich, Suffolk, IP1 2BX

November 2024

Dear Audit Committee

Completion Report for Audit Committee

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

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 auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit opinion/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 Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.

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

We draw the Audit 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 E).

This report is intended solely for the information and use of the Audit 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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Contents

01 Executive Summary



02 Work Plan



03 Results and Findings



04 Value for Money



05 Appendices


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.psa.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 Committee and management of Suffolk County Council. Our work has been undertaken so that we might state to the Audit Committee and management of Suffolk County 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 Committee and management of Suffolk County 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 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 2022/23 accounts. The proposed disclaimer of the Council’s 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2022/23 financial statements and the form of the audit opinion/report.



Executive Summary - Local context

Local Background and Context

The position at Suffolk County Council has developed over recent years, resulting in unaudited financial statements for 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 2022/23 audit year.
- ▶ In addition, there were a number of new technical issues and challenges to address during this period which led to delays to the completion of the 2021/22 audit, with the opinion not being issued until June 2023. Some of the main issues included:
 - ▶ accounting for infrastructure assets (with the Update to the Code and Specifications for Future Codes for Infrastructure Assets not being issued until November 2022 following initial identification of the issue in March 2022); and
 - ▶ the need to take into account and consider the potential impact of the updated triennia pension fund valuations for 31 March 2022, which were issued in March 2023.
- ▶ Following the communication in July 2023 of Government proposals to re-establish the local authority audit framework on a more sustainable basis, with a focus on providing assurance on public bodies' most recent financial information, we communicated to local authorities in December 2023 the steps we were taking to support the delivery of consistent high-quality audits and prepare for implementation of the proposals. As part of this we prioritised our delivery to best prepare for implementation of the proposals and the expected backstop dates for audits up to 2022/23. We focused on maximising the completion of historic audits, pension fund audits and value for money reporting as well as planning for 2023/24 audits.
- ▶ As a result of the delay to the 2021/22 audit, and the steps outlined above to support the reset of the local audit system, we did not have audit resource available to complete our detailed audit procedures that would be needed to issue an unmodified audit report on the 2022/23 financial statements before the backstop date. We were therefore unable to commence the audit of the Council's 2022/23 financial statements.
- ▶ The Council has consistently presented draft statements of account for audit within the regulatory timeframe. Due to audit resource constraints, we were unable to schedule the 2021/22 audit in order to meet the reporting timeline of 30 September 2022, and instead completed the audit in June 2023. We then did not have the audit resource necessary to perform the 2022/23 audit for the Council before the back stop date.



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 opinion/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 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 opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 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 4.

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

Our audit also includes 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 Statutory Instrument (2024) No. 907 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 auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit opinion/report.

Work Plan - Materiality

Materiality

Planning materiality

£23.1m

Materiality for year ended 31 March 2023 has been set at £23.1 million, which represents 1.8% of 2023 gross expenditure on provision of services.

Performance materiality

£17.4m

Performance materiality for year ended 31 March 2023 has been set at £17.4 million, which represents 75% of planning materiality.

Audit differences

£1.2m

We will report all uncorrected misstatements relating to the primary statements greater than £1.2 million for year ended 31 March 2023. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2023 draft accounts. We have considered updating this materiality for any key changes or known factors in that year. We determined that our audit procedures would be performed using a materiality of £23.1 million. 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 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.

Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Misstatement due to fraud or error	31 March 2023	Fraud risk	No change in risk or focus	<p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>
Inappropriate capitalisation of Revenue expenditure and Refcus	31 March 2023	Fraud risk	No change in risk or focus	<p>We have considered the key areas where management has material opportunity and incentive to override controls. We have identified the main areas as being; inappropriate classification of revenue spend as capital expenditure and manipulation of revenue expenditure funded through capital under statute (REFCUS) through the movement in reserve statement.</p>
Accounting for schools that convert to Academy Status	31 March 2023	Inherent risk	No change in risk or focus	<p>Schools continue to convert to academy status. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.</p> <p>There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.</p>
Pension liability valuation	31 March 2023	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice (the Code) and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item, and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

Work Plan – Significant, inherent and other risk areas

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

Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Valuation of land and buildings	31 March 2023	Inherent risk	No change in risk or focus	<p>The valuation of land and buildings represent significant balances in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, this includes for assets not valued in year that their valuation remains materially correct at year end.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</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.

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

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.

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, we can confirm there were no non audit fees for the 2022/23 reporting year, so the current ratio of non-audit fees to audit fees is approximately nil:1. 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's 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 later in this report.

Value for Money

Our value for money (VFM) work is complete and reported in Section 04 of this report. We had identified one risk of significant weakness in arrangements. Having updated and completed the planned procedures in the required areas and having undertaken additional procedures to respond to the significant risk identified we did not identify a significant weakness. See Section 04 of the report for further details.

Audit differences

We have not identified any differences as a result of our audit work

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 opinion/report after that date but before the statutory backstop of 13 December 2024, we therefore expect to be able to certify completion of the audit as part of our final 2022/23 audit opinion/report.

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



Results and findings

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Suffolk County 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 Committee.

Control observations

During the audit, we did not identify any significant deficiencies in internal control:

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 Council'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 opinion/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 – Draft Audit Opinion/Report

Draft audit opinion/report

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUFFOLK COUNTY COUNCIL

Disclaimer of opinion

We were engaged to audit the financial statements of Suffolk County Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2023. 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 40 of the Council accounts, including a summary of significant accounting policies and including the Expenditure and Funding Analysis and associated EFA notes 1 to 5 on pages 21 to 22,
- ▶ the related notes G1 to G13 of the Group accounts
- ▶ and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement, 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.

We completed the audit of the 2021/22 financial statements in June 2023 and issued our audit opinion on 5 June 2023.

The backstop date and the wider requirements of the local audit system reset, meant 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. Therefore, we are disclaiming our opinion on the financial statements.

Results and findings – Draft Audit Opinion/Report

Draft audit opinion/report

Our draft 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)
- ▶ 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 (Section 151 Officer)

As explained more fully in the Statement of the Chief Financial Officer (Section 151 Officer's) Responsibilities set out on page v, the Chief Financial Officer (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements and the firefighters pension fund 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 (Section 151 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 (Section 151 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.

Results and findings – Draft Audit Opinion/Report

Draft audit opinion/report

Our draft opinion on the financial statements

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.

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 Suffolk County 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 Suffolk County 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, Suffolk County 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 Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Results and findings – Draft Audit Opinion/Report

Draft audit opinion/report

Our draft opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Suffolk County 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 Suffolk County 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 the Group'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

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 xx 2024, available on the Council'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 Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements. 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 2024 Code has reduced the scope of the VFM reporting up to and including the 2022/23 financial year. However, in the February 2024 consultation on the new Code, the NAO stated that where auditors have begun or already undertaken work that no longer falls under the reduced scope, they may still report on it in accordance with paragraph 13 of Schedule 3 of the 2024 Code. EY 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.

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 committee reports;
- meetings with the Chief Finance Officers, Service Director, Finance and Regional Services and the Chair of the Joint Audit Committee;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with management and the finance team.

VFM - Executive Summary (continued)

Reporting

We completed our initial risk assessment procedures and did not identify any significant weaknesses in the Council's arrangements.

We presented our Interim Value for Money Report presented to the Audit Committee in January 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 2022/23. These updates were reported in our Interim Value for Money Report and are not repeated in this report.

Subsequent to the completion of our risk assessment and the issue of our Interim Value for Money Report, we identified a risk of significant weakness in governance in relation to the QCQ/Ofsted report issued in January 2024 following the inspection of the services for children with special educational needs and/or disabilities (SEND) across Suffolk.

Having completed further work to address this risk, we concluded that there was no significant weakness in arrangements during 2022/23. As a result, we have no matters to report by exception in our audit opinion/report.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the 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 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 Council 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 Council ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness identified	No significant weakness identified
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 risks identified	No significant weakness identified

Value for Money Commentary

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

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Council has a robust process of estimating the recurring and non-recurring expenditure and sources of funding. This process starts with the preparation of the Council Plan which sets out on a high level the projects that the Council will focus on, the Medium-Term Financial Plan (MTFP) then identifies the factors that may impact the cost of pursuing the projects. Finally, a revenue budget report is prepared. The budget begins with the total expenditure incurred in the previous year and incorporates potential increases and decreases due to factors identified in the MTFP, and the total funding. This is analysed alongside the reserves level for each period and shows how much the unallocated reserve balance will be at the end of each year.

During 2022/23 the Council continued to manage the ongoing impact of Covid on finances, as well as additional challenges such as the conflict in Ukraine and the cost-of-living crisis and the continuing underlying demand pressures within Children's Services and Adult Social Care.

The budget pressures have been further exacerbated by the acute inflationary pressures that have persisted at higher levels, and for longer, than assumed when setting the budget. In addition, pressures within Children's Services that have exceeded expectations from when budgets were set, particularly in SEND, Children-in-Care and Home-to-School Transport. These uncertainties in 2022/23 resulted in a £21.2 million overspend as reported in the 2022/23 final outturn position and for 2023/24 an overspend of £10.3 million was reported in the 2023/24 final outturn position.

The 2024/25 Budget and an update to the medium-term financial plan was taken to Scrutiny Committee on the 11 January 2024, reporting significant budget gaps over the medium term between 2024/25 and 2027/28. The Council have identified savings of £66.7 million between 2024/25 to 2027/28 to mitigate part of this gap, which results in a remaining budget gap of £130.8 million over the period. Management, in their report to the Scrutiny Committee, state that current funding from the government will be insufficient to cover the Council's budget gap from 2026/27 and if this were to be the case the financial position for the Council would become unsustainable.

In response to these in-year pressures, the Council is taking action to contain in year expenditure, with Directors mandated by Cabinet through the quarterly budget monitoring reports to:

- take necessary measures to mitigate expenditure wherever possible in order to help reduce the Council's forecast overspend position.
- continue to monitor their services closely to ensure that any further budgetary issues are swiftly identified, understood and mitigated.

The Directors and Cabinet have been working to determine actions that will need to be taken in 2024/25 to manage both pressures that have emerged over and above the 2023/24 budget, and further pressures expected in 2024/25. to ensure that a sustainable budget was set for 2024/25 in February 2024.

The challenges the Council is facing over the medium term are significant and it is critical that the Council continues its scenario assessment of the savings requirement and continue to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 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

Risk of significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023. In 2022/23, we identified a risk of significant weakness in arrangements in place to ensure sound governance in relation to the Council's SEND services.

SEND inspection

On 30 January 2024, Ofsted (and the Care Quality Commission (CQC)) issued an area SEND full inspection report to Suffolk County Council, NHS Suffolk and North East Essex ICB and NHS Norfolk and Waveney ICB. This report related to an inspection completed between 13 and 17 November 2023. This inspection report concluded that there are widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently. Although the inspection was undertaken in 2023/24, the report also noted that *'since Ofsted and Care Quality Commission (CQC) inspections raised serious concerns in both 2016 and 2019, leaders have not urgently or effectively addressed systemic and significant weaknesses in the SEND provision in Suffolk.'* We therefore concluded that this represented a risk of a significant weakness in arrangements in 2022/23.

We have undertaken further work assessing the arrangements the Council had put in place to address the issues raised in the previous SEND reports. This has included discussions with senior officers and review of various reports. On the basis of the work we have undertaken, we have concluded that despite the weaknesses identified in the report, we are satisfied that these do not represent significant weaknesses in the Council's overall governance arrangements, although we did give this serious consideration. The reasons for our conclusion are:

- Although SEND services are a critical service provided by the Council in partnership with other bodies, in financial terms, they are a relatively small part of the Council's overall services, with the core-funded elements representing 1.3% of the overall spend on services and 5.1% of the children's services budget.
- The Council has taken, and is continuing to take, action both to address the historic reports and the current report including significant action planning and commitment of funds in 2024/25 and earlier years, as noted below.
- The Council committed additional capital funds of £45 million to the SEND services following the inspection in 2019, with additional funds of £6 million in 2022/23. In addition, the core-funded revenue budget has increased from £8.6 million in 2022/3 to £11.9 million in 2023/24.
- The Council's performance and risk management arrangements have given specific focus to SEND services and a specific SEND strategy is in place which is updated on a regular basis and is based on engagement with families, practitioners and leaders.
- The Council has commissioned external independent reviews of the service, including the review by a team from Lincolnshire as referred to later in this report, as well as a review by Anthony Douglas CBE to strengthen their work to reform SEND Services, and has taken actions to implement the recommendations for improvement made following these reviews.
- To strengthen leadership, a new permanent Executive Director of Children and Young People's Services (the DCS) was appointed in May 2024 and started with the Council in July 2024. This followed a restructure of senior leadership posts covering Children and Young People. For just under a year (from August 2023 to July 2024) the DCS role was covered by senior and experienced Interims.

We also noted that the local area partnership, which includes the Council, ICB's, Suffolk Parent Carers Forum and Schools, have established an Improvement Board, chaired by an independent chair, to have strategic oversight of the actions following the most recent inspection of SEND services across the partnership. This work is also supported and monitored by DfE. The Partnership is reporting that improvements have been noted and that the Local Area Partnership knows what continued progress needs to be made and has plans in place to achieve this. We will consider progress on this area as part of our review of value for money arrangements in subsequent years.

Value for Money Commentary (continued)

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

Risk of significant weakness identified

Children's Services inspection

We also noted that the Council received a report from Ofsted on its Children's services in June 2024, which rated the overall effectiveness of services as 'requires improvement to be good'. The other areas covered in the inspection ('the impact of leaders on social work practice with children and families', 'the experiences and progress of children who need help and protection' and 'the experiences and progress of care leavers') were also rated as 'requires improvement to be good', other than 'the experiences and progress of children in care' which was rated as 'good'.

The main findings of the report were:

'Since the last inspection in 2019, when children's services were judged to be outstanding, there has been a decline in the quality of social work practice for children in need of help and protection and care leavers in Suffolk. This includes a lack of consistency in applications of thresholds in the multi-agency safeguarding hub (MASH), a lack of appropriate responses to children aged 16 and 17 years old who present as homeless and inconsistent practice for care leavers.'

'Social work practice for children in care has continued to provide support and stable care for most children which allows them to thrive. Since the last visit, in 2022, there have been several changes in the director of children's services (DCS) role, with a new DCS expected to start shortly. Leaders have continued to invest in children's services to ensure that children in care in Suffolk are able to live in local homes, through the development of children's homes and the fostering and adoption service.'

We therefore also gave consideration to whether the findings from this inspection also represented a risk of significant weakness in arrangements in 2022/23. On the basis that the overall inspection finding was not 'inadequate', and the inspection was undertaken in 2024/25, we concluded that this was not an indication of a significant weakness in arrangements in 2022/23. We also noted that the main weaknesses noted were in relation to specific areas and that practices for children in social care have continued to provide support and stable care for most children.

The Council has responded to the inspection report through development and implementation of detailed improvement action plans which have been taken to Cabinet at the September 2024.

Whilst we are satisfied that the findings reported by Ofsted do not represent a significant weakness in arrangements for our 2022/23 VFM reporting responsibilities the Council will need to continue to take action to address issues raised by Ofsted.

Value for Money Commentary (continued)

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

Risk of significant weakness identified

Overall governance arrangements

The Council undertakes an annual review of its high-level risks to assess their relevance and suitability and make recommendations to the relevant directorate and risk owner. The annual review is an opportunity to consider high-level risks at a cross-departmental level to moderate and assess appropriateness, balance and coverage for all significant issues facing the organisation and alignment to the Council's new business plan.

The Leader of the Council is responsible for the development and approval of the policies, strategies and plans of the Council, except for those policies, strategies and plans within the policy framework which are subject to approval by the Council. The Cabinet is the decision-making body of the organisation. The Leader of the Council is the Chair of the Cabinet.

The Council's Constitution requires that Cabinet takes key financial decisions (as specified). All Cabinet reports are signed off by the Chief Financial Officer (CFO), with the expectation that Strategic Finance Leads (SFLs) within each directorate advise the CFO regarding the financial implications as part of this process. The Constitution allows for any decisions to be called in by other councillors for further review. The Council also operates a Scrutiny Committee which sits apart from Cabinet whose principal remit is to challenge and review the Council's operations and associated decisions. Audit Committee has an overarching responsibility to ensure compliance with the Financial Regulations that form the basis for the proper implementation of decisions.

The Council's Annual Governance Statement sets out the core governance arrangements for the year, including an Action Plan, which demonstrates how the Council's Code of Governance reflects the seven principles of good governance. The Head of Internal Audit concluded that for the 2022/23 financial year, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023. In 2022/23, we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

We did not identify any weaknesses in the Council's procurement procedures in 2022/23. The Council has a dedicated procurement team that manages the commissioning and procurement of contracts throughout the Council. This team is trained and experienced to ensure that procurement is delivered in accordance with relevant legislation, professional standards and internal policies.

The Council has a culture of engaging with significant partnerships through a wide range of connections, in particular governance boards and regular management meetings. These boards cover key performance matters and identify areas of concern or areas that require improvement. Partnership working is a key component within both the Council's 2022/26 Corporate Strategy and 2022/23 Business Plan. The Council is committed to working effectively with their partners across the Suffolk system, further integrating services and jointly funding posts. This is particularly the case within the Integrated Care System, where they are working closely with Health partners to share and align workforce planning as it looks to support the county in its recovery from the impact of Covid-19, and to respond to continuing pressures within the care sector.

One of the services provided by the Council is SEND (Special Educational Needs and Disability). During 2021, the Council commissioned an independent review by a team from Lincolnshire, including Lincolnshire County Council and the Lincolnshire SEND parent carer network, of SEND Services in Suffolk. The review identified a number of recommendations for improvement which the Council developed an action plan to address. By autumn 2022, 23 of the recommendations had been actioned with 8 actions remaining in progress.

In May 2022, the Council received a report from the Local Government and Social Care Ombudsman (LGSCO) concluding their investigations into a complaint against the Council and their SEND function. The Council were found to be at fault in relation to delays in the Annual Review process which led to delays in putting a Education, Health and Care Plan provision in place. In response, the Council put in place an action plan to respond to the recommendations made by the LGSCO to address the issues identified in the report. Progress against this action plan has been monitored on an ongoing basis and in October 2022, the Council received a follow up letter from the Local Government and Social Care Ombudsman confirming that actions undertaken were satisfactory and that appropriate remedy was complete.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 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

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of Suffolk County Council ("the Group and authority") for the year ended 31 March 2023. 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 Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and authority financial position of Suffolk County Council as of 31 March 2023 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, 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 understand that the purpose of your audit of our consolidated and parent Authority 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 the parent Authority, the Accounts and Audit Regulations 2015 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)).
2. We acknowledge, as members of management of the Group and authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority 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 parent Authority in accordance with 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 are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Group and authority financial statements are appropriately described in the Group and authority financial statements.
4. As members of management of the Group and authority, we believe that the Group and authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 for the Authority that are free from material misstatement, whether due to fraud or error.

Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

5. We confirm the Group and authority does not have securities (debt or equity) listed on a recognized exchange.
6. We have confirmed to you any changes in service organizations within the Group and authority since the last audited financial year.

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

1. We acknowledge that we are responsible to determine that the Group and authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or 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 consolidated and parent Authority financial statements may be materially misstated as a result of fraud.

Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *[period]* to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions

for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority 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
5. We have disclosed to you, and the Group and authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, 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 effect on the consolidated and parent Authority 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.

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the consolidated and parent Authority financial statements, including disclosures.

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 consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

E. Going Concern

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

F. Subsequent Events

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

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. Other information

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

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the Group and authority have reflected these in the consolidated and parent financial statements.

Yours faithfully,

(Chief Financial Officer/Finance Director)

(Chairman 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.

	Current Year 2022/23 (Note 1)	Prior Year 2021/22
	£	£
Total Fee - Code work	69.699X	69.699
Other- scale fee variation	TBC	64,419
Total audit	TBC	134,118
Other non-audit services not covered above	0	0
Total other non-audit services	0	0
Total fees	TBC	134,118

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23.

As set out in the joint statement PSAA Ltd will use its fee variation process to determine the final fee the Council has to pay for the 2021/22 and 2022/23 audits. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Appendix C – Required communications with the Audit Committee

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

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA’s appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA’s appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Completion report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	This Completion report for Those Charged with Governance
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	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"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	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"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>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"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	This Completion report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	This Completion report for Those Charged with Governance
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ 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 ▶ 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 ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ 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. 	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"> ▶ Key audit matters that we will include in our auditor’s report ▶ Any circumstances identified that affect the form and content of our auditor’s report 	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 – PSAA Statement of Responsibilities

As set out in Appendix B, 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.

Appendix F – Other Communications

EY Transparency Report 2024

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

EY | Building a better working world

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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