

East Hertfordshire Council Completion Report for Those Charged with Governance

Years ended 31 March 2022 and 31
March 2023

Report issued - April 2025



Audit and Governance Committee
East Hertfordshire Council
Wallfields, Pegs Ln, Hertford SG13
8EQ

14 April 2025

Dear Audit and Governance Committee

Completion Report for Those Charged With Governance

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

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 years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report for both years.

In completing our work for these audit years we have taken into account the SI, 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, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, against this backdrop we have also considered the Committee's service expectations.

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

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

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

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

Yours faithfully

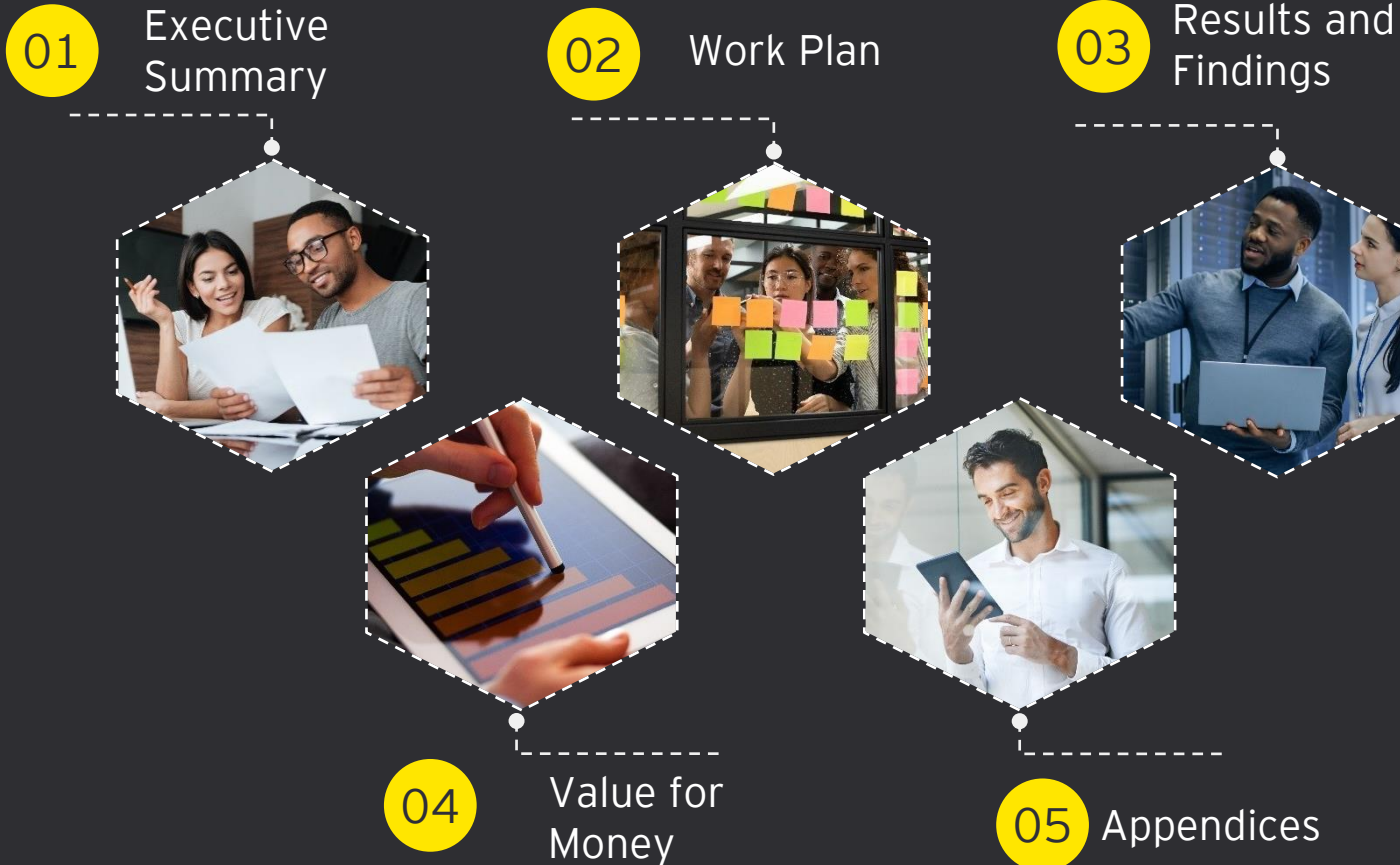
Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.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 and Governance Committee** of East Hertfordshire Council. Our work has been undertaken so that we might state to the **Audit and Governance Committee** of East Hertfordshire Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit and Governance Committee** of East Hertfordshire 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 Authority’s 2021/22 and 2022/23 accounts. The proposed disclaimer of the Council’s 2021/22 and 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2021/22 and 2022/23 financial statements and the form of the audit report.



Executive Summary - Local context

Local Background and Context

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

The main reasons for the Council's financial statements not being prepared, 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 complete the 2021/22 audit and then move on to the 2022/23 audit year.
- ▶ In recent years we have experienced significant delays in completing the financial statements audits. The 2020/21 audit significantly overran with the audit only being completed in March 2023, when an unmodified opinion was issued. The main reason for the delay was the failure of the Council to provide an update to the Going Concern assessment and disclosure in the accounts covering an appropriate period. There were also a large number of audit differences identified through the audit.
- ▶ We commenced the audit of the 2021/22 draft financial statements in March 2023, with the aim of concluding by the end of June 2023. However, there were again significant delays in the receipt of the required information to support the audit and all the required information had still not been received by March 2024. Given these delays, audit resource constraints and the impending backstop dates, it was not possible to complete all the required procedures to conclude the audit. A disclaimed audit opinion was therefore issued for 2021/22.
- ▶ As a result of the delay to the 2021/22 audit, we did not have audit resource available to complete our detailed audit procedures that would be needed to issue an unmodified audit report on those financial statements before the backstop date.
- ▶ In addition, the Council has not published draft statements of account within the regulatory timeframe in recent years. The Council published their draft 2021/22 financial statements on the 11 December 2023, which was significantly after the statutory deadline of 31 July 2022, We also noted that the draft accounts did not include an Annual Governance Statement (AGS), as required, and the Statement of Responsibilities included in the accounts was from the 2020/21 accounts and was dated 26/10/2020. For 2022/23, the Council again did not comply with the requirements of the Accounts and Audit Regulations as they did not prepare and publish the set of draft accounts by the statutory deadline of 31 May 2023, with accounts not prepared and published until 6 November 2024.
- ▶ We also note that for 2023/24 the Council has again failed to produce a set of accounts and has not included the required notices on its website. The 2023/24 accounts are still not published as of the date of this report (18 March 2025).



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 01 - Executive Summary - this section setting out the national and local context and the structure of our report.

Section 02 - Work Plan - We have completed the following planning tasks:

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

Section 03 - 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 04 - Value for money reporting

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

Section 05 - 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 2022 and 31 March 2023 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 04.

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

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

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

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

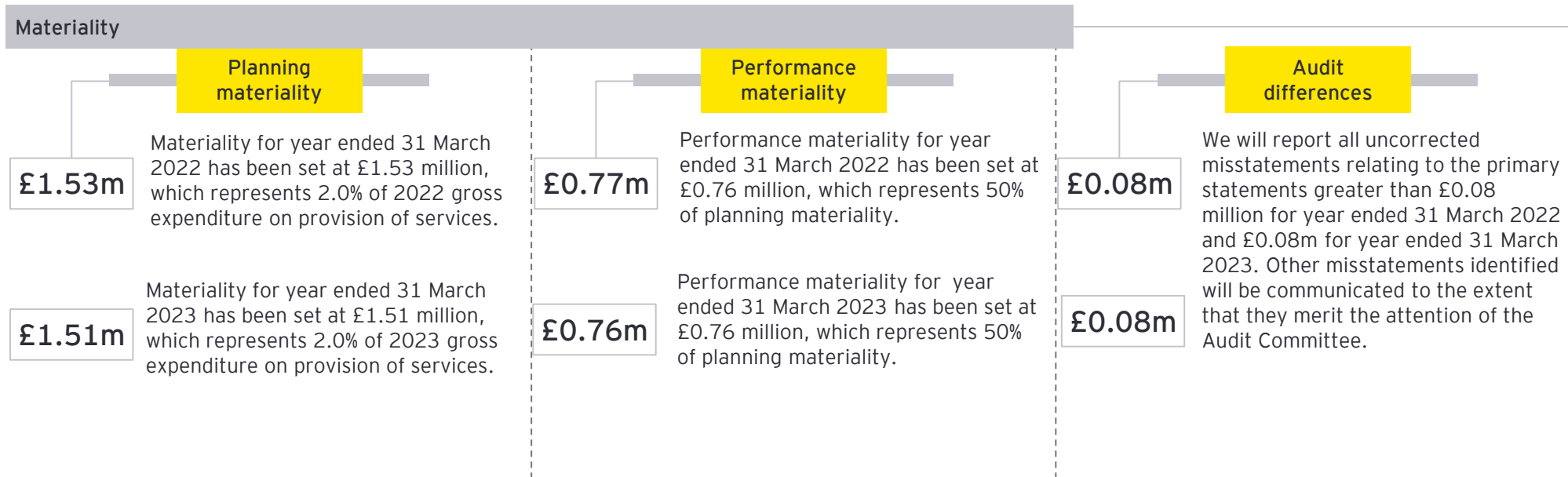
Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop 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 years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

Work Plan - Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the draft financial statements for 2021/22 and 2022/23. We determined that our audit procedures would be performed using the materiality level noted above. This level of materiality remains appropriate for the actual results for the financial year.

These materiality levels have been set based on the 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 years

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Misstatement due to fraud or error	All years covered by this report	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	All years covered by this report	Fraud Risk	No change / increase in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Recognition of grant income associated with Covid-19 (includes sales fees and charges and other Covid-19 funding streams)	2021/22	Inherent risk	No change in risk or focus	The Authority received a series of grants from the UK government during 2021/22 in support for the pandemic crisis management. We identified the accounting treatment of those grants as an area of focus.
Pension liability valuation	All years covered by this report	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement. Small changes in assumptions when valuing the assets and liabilities can have a material impact on the financial statements.
Valuation or property, plant and equipment and investment properties	All years covered by this report	Inherent risk	No change in risk or focus	The value of property, plant and equipment (PPE) and investment properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

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 years

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Minimum revenue provision	All years covered by this report	Inherent risk	New risk for 2021/22	<p>Linked to the risk of 'misstatements due to fraud and error', we consider specific areas where management makes significant judgements that impact charges to the General Fund balance.</p> <p>Local authorities are required to charge Minimum Revenue Provision (MRP) to the General Fund in each financial year if borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance.</p> <p>In prior years, the Council has not charged any MRP because the opening capital financing requirement (CFR) was negative. In 2021/22, the CFR balance is positive, hence, the Council is required to make a provision.</p> <p>The Council's draft statement of accounts for 2012/22 and 2022/23 however note that <i>'following the disposal of the Council's Housing stock the Council has a negative capital financing requirement and so the calculated MRP is nil'</i>.</p> <p>There is therefore a risk that the Council may not be setting aside sufficient MRP for the future repayment of debt.</p>
Going concern disclosure	All years covered by this report	Area of focus	No change in risk or focus	<p>The Council is required to carry out a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and the volatility of the markets due to the ongoing impact of Covid as well as the Ukraine-Russia conflict also gives rise to a risk that the Council may not appropriately disclose the impact of these issues on its going concern assessment. The disclosure should be underpinned by the management's assessment based on the Council's forecast year end financial position for the going concern period of 12 months from the auditor's report date.</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
- ▶ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).
- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

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

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

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

Work Plan - Independence

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.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

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

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

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

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 1:5. No additional safeguards are therefore 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 accounts to support our disclaimed 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 to the date of our audit report;
- ▶ Receipt of signed and approved financial statements and Annual Governance Statements;
- ▶ 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 in this report.

Value for Money

Our value for money (VFM) work is complete and reported in Section 04 of this report. We identified risks of significant weaknesses related to governance and improving economy, efficiency and effectiveness arrangements as part of our risk assessment procedures. Having updated and completed the planned procedures to address these risks we did identify a significant weakness in governance in relation to the Council's procedures supporting the production of its financial statements. See Section 04 of the report for further details.

Audit differences

We identified a number of differences in our review of the draft 2021/22 and 2022/23 financial statements which are summarised here:

- ▶ Casting and consistency differences between the balance sheet and supporting notes and within individual tables.
- ▶ differences between 2020/21 signed accounts and the 2020/21 comparatives in the 2021/22 accounts in a large number of notes as well as in all the Group Primary statements.
- ▶ differences between 2021/22 draft accounts and the 2021/22 comparatives in the 2022/23 accounts in a large number of notes as well as in all the Group Primary statements.

These have now been corrected by management in March 2025 but these errors do however again indicate a lack of adequate quality assurance arrangements in relation to the financial statements and we have included a recommendation related to this as part of the statutory recommendations included in our audit report and set out in Appendix E of this report.



Results and findings

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of the Council. We asked the Council to update the AGS for both 2021/22 and 2022/23 to reflect the significant weaknesses identified and included in this report in relation to the financial statements processes. These changes have been made.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We have no matters to report as a result of this work.

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 have not identified any issues which require reporting in the public interest

We have however identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result of the weaknesses identified, we have made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).



Results and findings

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of East Hertfordshire District Council. We concluded we would disclaim the audits for 2021/22 and 2022/23 and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee or Board of Directors.

Control observations

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

We did however note significant weaknesses in the Council's arrangements for the production and publication of the Statements of Accounts and have reported this as a significant governance weakness in our audit report as part of our value for money reporting. We have also made a statutory recommendation in relation to these issues.

Independence

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



Results and findings

Other matters

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

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

We wish to bring the following other matters to your attention.

Minimum Revenue Provision

Although we did not complete our planned procedures on the financial statements, we noted that the financial statements for both 2021/22 and 2022/23 include the following statement in relation to Minimum Revenue Provision (MRP) '*Following the disposal of the Council's Housing stock the Council has a negative capital financing requirement and so the calculated MRP is nil.*' Our high-level review of the accounts and of the Section 151 Officer's Report on the '*Capital Strategy and MRP 22/23 onwards*' issued in March 2022, identified that this statement is incorrect and that the Council's Capital Financing Requirement (CFR) became positive in 2020/21, thus requiring the Council to calculate and set aside MRP. If the Council is not charging MRP on the positive CFR balance, this may have an impact on the level of useable reserves available to the Council. As it is not clear from the reports provided and we are issuing a disclaimed opinion, we have not undertaken any further work on this area. We do however recommend that the Council review its MRP policy as a matter of urgency. We have included this recommendation as part of our vfm reporting in Section 04 of this report.

Financial Statement Processes

We have also identified and reported on significant weaknesses in the Council's arrangements for the production and publication of its financial statements as part of our value for money reporting in Section 04 of this report.

Results and findings – Draft Audit Report

Draft audit report 2021/22

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST HERTFORDSHIRE DISTRICT COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of East Hertfordshire District Council ('the Council') for the year ended 31 March 2022. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 37 including material accounting policy information,
- Collection Fund and the related notes 1 to 4.

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

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

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024. This requirement meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion as we had insufficient resources in the time available to perform all necessary procedures to support the local government audit reset.

We were not able to complete the audit of the 2020/21 financial statements and issue our audit opinion until 16 March 2023, due to delays in the provision of information by the Council.

We commenced our audit of the 2021/22 financial statements in March 2023, based on draft accounts provided for audit but not published, but were unable to complete all of our procedures on the financial statements due to delays in the provision of information.

Results and findings – Draft Audit Report (cont'd)

Our opinion on the financial statements

In addition, the Council did not publish their draft 2021/22 Statement of Accounts until the 11 December 2023, which was significantly after the statutory publication deadline of 31 July 2022. We also noted the following in relation to the published unaudited accounts:

- the accounts were not accompanied by an Annual Governance Statement
- the Statement of Responsibilities for the Statement of Account was from the 2020/21 Statement of Accounts and was dated 26 October 2020
- they included the signed audit report from the 2019/20 accounts.

As a result of the above, the Council had to re-advertise the period for the public inspection of the accounts and this period ran until 18 December 2024.

These issues are referred to in the significant weaknesses in arrangements section of our report.

These matters combined with the backstop date, meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion in advance of the backstop date of 13 December 2024. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the Annual Governance Statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the 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 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); and/or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. We are making written recommendations to the Council under Section 24, Schedule 7 (2) of the Local Audit and Accountability Act 2014 (as amended). We may designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

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

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

Results and findings – Draft Audit Report (cont'd)

Our opinion on the financial statements

Significant weaknesses in arrangements

Our judgement on the nature of the weaknesses identified:

The Council did not publish its 2021/22 draft financial statements by 31 July 2022 as required by the Accounts and Audit Regulations 2015. The unaudited financial statements were published on 11 December 2023. The draft accounts, when published, were not appropriately certified by the Section 151 Officer and were not published alongside an Annual Governance Statement.

In addition, the Council was unable to adequately support the external audit process. Capacity issues within the finance team and weaknesses in quality control related to audit evidence led to delays in receipt of information to support the audit and that information, when provided, being of inadequate quality. These issues were also experienced during the 2020/21 audit process which was not completed until March 2023.

We note that the 2023/24 draft financial statements were not published by the statutory deadline of 31 May 2024.

The evidence on which our view is based:

- Publication date of the 2021/22, 2022/23 and 2023/24 draft financial statements
- The Council has not been able to provide timely, sufficient and appropriate audit evidence to support the external audit

The impact on the Council:

Failure to improve the Council's processes to report financial information on a timely basis impacts the Council's ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

The action the body needs to take to address the weakness:

As a result of the weaknesses identified, we make Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).

1. **Finance Function Workflow Review:** Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.
2. **Quality Assurance Function Review:** Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.

Results and findings – Draft Audit Report (cont'd)

Our opinion on the financial statements

3. **Finance Team Capacity:** Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

This issue is evidence of significant weaknesses in proper arrangements for governance, specifically that the Council does not have effective processes and systems in place to support its statutory financial reporting requirements.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 109, the Chief Financial Officer is responsible for the preparation of the 2021/22 Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Results and findings – Draft Audit Report (cont'd)

Our opinion on the financial statements

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

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

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether East Hertfordshire District 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.

Certificate

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

Use of our report

This report is made solely to the members of East Hertfordshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council 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
21 April 2025

Results and findings – Draft Audit Report

Draft audit report 2022/23

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST HERTFORDSHIRE DISTRICT COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of East Hertfordshire District Council ('the Council') for the year ended 31 March 2023. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 37 including material accounting policy information,
- Collection Fund and the related notes 1 to 4.

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 13 December 2024.

The audit of the 2021/22 financial statements for East Hertfordshire District Council was not completed for the reasons set out in our opinion on those financial statements dated 21 April 2025. As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements before the 13 December 2024 backstop date.

In addition, the Council did not publish their draft 2022/23 Statement of Accounts until the 6 November, which was significantly after the statutory publication deadline of 31 May 2023, and the period for the public inspection of the accounts did not conclude until 18 December 2024.

These issues are referred to in the significant weaknesses in arrangements section of our report.

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

Results and findings – Draft Audit Report (cont'd)

Our opinion on the financial statements

Matters on which we report by exception

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

We report to you if:

- we issue a report in the public interest under Schedule 7 (1) of 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); and/or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. We are making written recommendations to the Council under Section 24, Schedule 7 (2) of the Local Audit and Accountability Act 2014 (as amended). We may designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

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

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2023.

Significant weaknesses in arrangements

Our judgement on the nature of the weaknesses identified:

The Council did not publish its 2022/23 draft financial statements by 31 May 2023 as required by the Accounts and Audit Regulations 2015. The unaudited financial statements were published on 6 November 2023. This is the second year the publication date has not been met. The draft accounts, when published, were not appropriately certified by the Section 151 Officer and were not published alongside an Annual Governance Statement.

In addition, the Council was unable to adequately support the external audit process. Capacity issues within the finance team and weaknesses in quality control related to audit evidence led to delays in receipt of information to support the audit and that information, when provided, being of inadequate quality. These issues were also experienced during the 2021/22 audit process which was not completed until March 2024.

We note that the 2023/24 draft financial statements were not published by the statutory deadline of 31 May 2024.

Results and findings – Draft Audit Report (cont'd)

Our opinion on the financial statements

The evidence on which our view is based:

- Publication date of the 2021/22, 2022/23 and 2023/24 draft financial statements
- The Council has not been able to provide timely, sufficient and appropriate audit evidence to support the external audit

The impact on the Council:

Failure to improve the Council's processes to report financial information on a timely basis impacts the Council's ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

The action the body needs to take to address the weakness:

As a result of the weaknesses identified, we make Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).

1. **Finance Function Workflow Review:** Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.

2. **Quality Assurance Function Review:** Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.
3. **Finance Team Capacity:** Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

This issue is evidence of significant weaknesses in proper arrangements for governance, specifically that the Council does not have effective processes and systems in place to support its statutory financial reporting requirements.

Results and findings – Draft Audit Report (cont'd)

Our opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 90, the Chief Financial Officer is responsible for the preparation of the 2022/23 Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Results and findings – Draft Audit Report (cont'd)

Our opinion on the financial statements

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

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

Certificate

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

Use of our report

This report is made solely to the members of East Hertfordshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council 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
21 April 2025



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 published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken during the period 01 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

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

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

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified; and
- Findings to date from our planned procedures.

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



VFM - Executive Summary (continued)

Risks of Significant Weakness

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

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

In our Provisional Audit Plan for 2021/22 we noted that we had yet to complete our detailed VFM planning. However, one area of focus would be on the arrangements that the Council has in place in relation to financial sustainability. We completed our VFM planning and identified risks of significant risk as set out in the table on the following page. These were also reported in our Interim VFM Commentary in October 2024.

VFM - Executive Summary (continued)

Reporting

Our commentary for 2021/22 and 2022/23 is set out over pages 27 to 35. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have made to the Council.

The detailed arrangements and processes underpinning the reporting criteria were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23. These updates were included in our Interim VFM Commentary in October 2024.

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, at the time of this report, we have concluded that there is a significant weakness in the Council'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	Non preparation and publication of the financial statements for 2021/22 and 2022/23 and the 2021/22 Annual Governance Statement	Yes, non-compliance with the Accounts and Audit Regulations 2015 in a number of areas.
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	Delays and/or significant cost over runs on major projects	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 for 2021/22 and 2022/23

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 National Audit Office (NAO)'s Code the focus of our work should be on the arrangements that the Authority is expected to have in place during the years ended 31 March 2022 and 2023.

Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability, but we did identify a number of areas for improvement which are noted in this report.

Budget setting and monitoring

The Council has adhered to its governance processes for setting a balanced budget and Medium Term Financial Plan (MTFP). The budget and MTFP are underpinned by assumptions that we deemed reasonable and supported. The Council's budget is monitored on a monthly basis by senior management and reported quarterly to the Executive. The Council's revenue budget was put under pressure in 2021/22 due to losses in income and increased costs.

The 2021/22 and 2022/23 revenue budgets were approved by Council in March 2021 and 2022 respectively, and a balanced budget was set each year. The outturn and pressures identified in the previous year are considered as part of the budget process to ensure that these are adequately addressed in the next years' budget.

The 2021/22 revenue budget and MTFP was based on the following assumptions;

- salary inflation of 2%
- 2.5% increase to fees and charges
- additional budget savings/efficiencies required over the next four years totalling £8.89 million to 2024/25, with use of reserves of £5.47 million over the period to bridge the budget gap.
- increase in the provision for bad debts by £1.034 million has been forecast as well as an increase in the appeals provision of £3.4 million.

The 2022/23 budget and Medium-Term Financial Plan (MTFP) was based on the following assumptions:

- contract inflation up to 4%.
- no inflation in other goods and services budgets.
- provision for the national pay award (up to 3%).

The 2021/22 budget and MTFP included a savings target of £2.39 million, to be achieved from new savings proposals, the transformation programme and infrastructure investment. For 2021/22, the Council reported an overall underspend position of £91k. In 2022/23, the final general fund revenue outturn reported in September 2023 was a £195k overspend, which was funded from the General Fund Reserve. This compared to the forecast outturn as of 30 June 2022 of an overspend of £229k.

Value for Money Commentary (continued)

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

Medium term financial plans and savings

The Council faces real-term reductions in government grants and increases in costs due to inflation and other pressures. These challenges created a budget shortfall of £1.179 million for 2022/23 and an additional £3.5 million for 2023/24.

For 2022/23, the following savings proposals were identified;

- Reduction in payment to the Hertfordshire Emergency Planning / Resilience Partnership from £26k per year to £16k to reflect the reduction in hours devoted by the Partnership to East Herts
- Removal of £21k from the 2022/23 budget relating to the community public transport schemes
- Increase the charge from single people in bed and breakfast from £110.40 per week to £129.33
- Reduction of 25% in the combined revenue and capital grants budget of £31k
- Introduce standard car park tariff charges on Sundays across Council managed car parks
- To reduce the number of audit days purchased from SIAS whilst still ensuring appropriate assurance is received
- Gilston Planning Costs Pressure reduction from £247,000 to £207,000

For 2023/24, the Council approved a net revenue budget of £12,113 million in March 2023 with a forecast net revenue overspend of £220k. Assumptions built into the 2023/24 revenue budget and MTFP were:

- a council tax increase of 2.99%
- pay inflation originally set at 2% for 2023/24 was increased to 4% in 2023/24 but remaining at 2% in future years.
- contract inflation was set at 4% in 2022/23 and 2.5% thereafter.
- net income stream for the theatre has been moved back to 2025/26 due to delays in Hertford Theatre
- the Elizabeth Road redevelopment will be progressed only as far as planning permission
- capital receipts will be used to replace borrowing thus reducing revenue costs

The 2023/24 MTFP projections were reported to Council in March 2023 and required the Council to make savings of at least £6.9 million in the next four years. Proposals to close the budget gap for 2023/24 amounted to £866k compared to a target of £822k. The 2023/24 MTFP projections were reported to Council in March 2023 and required the Council to make savings of at least £6.9 million in the next four years. Proposals to close the budget gap for 2023/24 amounted to £866k compared to a target of £822k. The 2025 Budget 2025/26 & Medium Term Financial Plan 2025-2035 reported to the Council in February 2025 shows a balanced budget for 2025/26.

The savings targets over the next four years are challenging and a recent Finance Peer Challenge report based on a desktop review undertaken in February to March 2024 noted a number of areas for improvement in relation to savings. These included, the need to incorporate comprehensive risk assessments related to the proposed savings measures, including detailing the likelihood and potential impact of not achieving the targeted savings. It also found that the budget report would benefit from clear explanations as to how the savings identified impact on future years and ensuring that all savings figures are fully reconciled.

Value for Money Commentary (continued)

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

The Council has earmarked reserves which can be used to balance the budget in the medium term. Earmarked reserves at 31 March 2022 were £21.3 million and the general fund balance of £3.8 million was above the min recommended level of £2.2 million set by the Section 151 officer. The level of earmarked reserves had reduced to £18.7 million at 31 March 2023.

The annual savings requirements to deliver a balanced budget in the March 2023 MTFP are set out below and the cumulative impact of these is a savings requirement of £7.49 million by 2027/28:

- 2023/24: £0,822 million
- 2024/25: £2.170 million
- 2025/26: £2.146million
- 2026/27: £1.758 million
- 2027/28: £0.594 million

Savings requirements as per the 2024/25 MTFP are:

- 2024/25: Gross savings requirement of £1.186 million
- 2025/26: Gross savings requirement of £5.606 million.
- 2026/27: Gross savings requirement of £5.606 million.
- 2027/28: Gross savings requirement of £6.132 million.

Levels of reserves

The Council has earmarked reserves which can be used to balance the budget in the medium term. Earmarked reserves at 31 March 2022 were £21.3 million and the general fund balance of £3.8 million was above the min recommended level of £2.2 million set by the Section 151 officer. The level of earmarked reserves had reduced to £18.7 million at 31 March 2023.

The Finance Peer Challenge report referred to above, also noted that the useable reserves were comparatively low, and recommended that the Council should consider financial risks in determining a minimum level of reserves to be maintained. Additionally, it recommends publishing an explicit statement on the Council's usable reserves position within the budget report. The most recent published accounts cover the period up to 2021/22 and show usable reserves of £21.3 million as of March 2022. However, after discounting specific reserves, the Peer Review noted that the sum of usable earmarked reserves is only £4.7 million. We also noted as part of our work that it was difficult to establish the projected level of useable reserves through review of the Council's various budgeting reports. We did however note that the Budget Report in October 2024, included projections of reserves to 2027/28, which reported a projected general fund balance of £3.8 million, a general reserve of £1 million and earmarked reserves of £14.7 million.

Value for Money Commentary (continued)

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

Minium Revenue Provision (MRP)

We note that the Council moved to a position of having a positive Capital Financing Requirement in 2020/21, having previously been debt free. The Council's reported MRP policy is to *'repay internal borrowing incurred on capital expenditure between 2011/12 and 2021/22 from the set aside balance in order that no MRP is required to be set aside. For external borrowing from 2021/22 and future years the Council will assess MRP in accordance with the main recommendations contained within the guidance issued by the Secretary of State'*. It is unclear from our reading of the Council's Policy whether the Council has fully considered the impact of not setting aside MRP in relation to capital spend between 2011/12 and 2021/22 in terms of any impact on its future financial resilience. As we are issuing disclaimer opinions on the 2021/22 and 2022/23 financial statements, we have not undertaken any audit work in relation to the MRP policy and calculation, but recommend that the Council undertakes a review of this area.

Overall conclusion

Despite the pressures noted we have not identified any significant weakness in the financial management arrangements for 2021/22 and 2022/23. The Council has mitigating actions in place which have enabled a balanced budget to be set in each year and for reserves to be maintained above the minimum recommended level. The scale of savings required to continue to set a balanced budget and maintain reserves at an appropriate level does however significantly increase in future years.

Our work and that of the Finance Peer Challenge has however noted a number of areas for improvement in financial management and reporting.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Recommendations:

- 1. Officers need to ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.*
- 2. The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery.*
- 3. The Council should ensure it takes action to address the findings and recommendations from the Finance Peer Challenge as a matter of urgency.*
- 4. The Council should undertake a review of its MRP policy and calculation to ensure it is fully compliant with the statutory requirements and guidance and that sufficient set asides are being made.*

Value for Money Commentary (continued)

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

Significant weakness identified for 2021/22 and 2022/23

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 audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Financial statements

Our risk assessment identified a risk of significant weakness in arrangements in governance in relation to the Council's failure to comply with the Audit and Accounts regulations in relation to the failure to prepare and publish accounts on a timely basis along with appropriate inspection notices.

Under the Accounts and Audit Regulations 2015, the Council is required to publish a set of draft accounts for a public inspection period of 30 working days, during which time any interested person may inspect the accounts and ask questions to the external auditor. For 2021/22, this public inspection period should start no later than the first working day of August (per a 2021 amendment to the regulations) and the accounts should also include an Annual Governance Statement.

The Council published their draft 2021/22 financial statements for audit on the 11 December 2023 and advertised and held an inspection period for members of the public. For 2021/22, the Council have therefore not complied with the requirements of the Accounts and Audit Regulations, as the inspection period did not start until 12 December 2023. We also noted the following:

- the accounts published for inspection did not include an Annual Governance Statement (AGS).
- the Statement of Responsibilities for the Statement of Account included in the 2021/22 Accounts was from the 2020/21 accounts and was dated 26/10/2020.
- the auditor's report included in the 2021/22 Accounts was the audit report for the 2019/20 accounts.

For 2022/23, the Council have again not complied with the requirements of the Accounts and Audit Regulations as they;

- did not prepare and publish the set of draft accounts until 6 November 2024.
- did not publish a notice stating that the Council has not been able to publish the statement of accounts and its reasons for this.

We also note that for 2023/24 the Council has again failed to produce a set of accounts and has not included the required notices on its website.

We have therefore concluded that appropriate arrangements for financial reporting were not in place during 2021/22 and 2022/23. As the statement of accounts are an important document and provide members of the public and other stakeholders with information regarding the Council's financial position, we have concluded that the continued failure to prepare and publish accounts represents a significant weakness in governance arrangement and will be modifying our audit report, to refer to this. We are also issuing a statutory recommendation in this regard as part of our formal reporting.

Value for Money Commentary (continued)

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

Significant weakness identified for 2021/22 and 2022/23

Other arrangements

The Council has an established risk management process including a Risk Management Strategy that is reviewed quarterly by the audit and governance committee. The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly, which has been evidenced by the recent updating of its constitution on in January 2024.

The Shared Internal Audit Service's (SIAS) have given reasonable assurance for 2021/22 and 2022/23 over the adequacy and effectiveness of the Council's framework of governance, risk management and control. In 2021/22, ten projects all received substantial assurance opinions and contributed to the overall assurance opinion. There were also three projects with an opinion of 'not assessed', two "not complete" and one "limited" For 2022/23, there were two incomplete projects, one unqualified and one not assessed.

The 2022/23 AGS includes all the areas required by the Cipfa Code, including information relating to review of effectiveness and reports on the key governance areas where Internal Audit work has identified further improvements needed. These are:

- The Communications Strategy requires revision to reflect changes in technology, social media and the further decline of printed media and to separate consultation from communication.
- The Council would benefit from a separate Consultation Strategy which sets out how and when the Council will consult. This accords with the priorities of the new Joint Administration.
- Member Officer Protocol for working in a no overall control council. At the elections in May 2023, the Council moved to being under no overall control by a single political party. There is a need to set out expectations concerning information, briefings and policy development that more appropriately meet the needs of the political groups in a no overall control council.
- Contract Procedure Rules are in need of review and updating, particularly as they reflect the transition under Brexit and not the final position under the Procurement Bill, which is in its final stage before anticipated Royal Assent and amendments introduced under the Public Procurement (International Trade Agreements) (Amendment) Regulations 2023. This will be undertaken alongside the development of the Procurement Strategy to ensure that they are properly aligned.

We did however note that the AGS does not include reference to the delays in the production and publication of the financial statements and have therefore asked management to update the AGS to include reference to these issues.

Value for Money Commentary (continued)

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

Significant weakness identified for 2021/22 and 2022/23

Conclusion: Based on the work performed, we have identified a significant weakness in the arrangements in relation to the production and publication of the accounts that we will be reporting by exception in relation to the non-compliance with Audit and Accounts regulations 2015. We are also issuing a statutory recommendation in this regard as part of our formal reporting.

Recommendations:

- 1. The Council should take immediate action to strengthen the arrangements for the preparation and publication of its accounts and relevant associated notices in line with the requirements of the Accounts and Audit Regulations.*
- 2. The Council should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements.*

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 for 2021/22 and 2022/23 but work remains in progress

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 audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Our risk assessment has identified a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness, as noted below. We have now concluded our work in this area following the provision of additional information from the Council regarding the procurement arrangements and the supplier evaluation process and have not identified a significant weakness in arrangements.

The five-year capital spending programme totals over £90 million. During 2021/22, the Council spent £31.5 million on capital projects, compared with a budget of £64.6 million. The underspend of £33 million was due to schemes not commencing or progressing in line with initial expectations and was carried forward into 2022/23. The capital programme was re-profiled as part of the budget report to Council in March 2022 and the majority of these underspends were captured in this re-profiling and a further £4.1 million was carried forward to the 2022/23 capital programme.

The capital programme included the regeneration of Old River Lane in Bishop's Stortford and the continued redevelopment of Hartham Leisure Centre. We have noted significant delays and/or cost overruns on these major projects which could indicate a weakness in procurement arrangements or contract management and could have a negative impact on the Council's financial position. In response to this risk, we have considered these projects in more detail as noted below.

1. Hertford Theatre Development:

The initial contract was awarded in March 2022 for £18.881 million. The project has encountered a series of budgetary challenges due to rising inflation and unprecedented increase in costs of labour and materials. This has resulted in an increased budget for the development, which stood at £24.1 million at March 2022. As of that date, the cost verification has indicated that the project is expected to cost £30.2 million to complete in its entirety and at the current date the forecast outturn is a projected overspend of £2.6 million, which officers are working to reduce. The Council has engaged external advisors to undertake an assessment of costs and advise the Council on an appropriate guaranteed maximum price to be agreed with the contractor following the continued increases.

2. Old River Lane Regeneration and Arts Centre:

The Council purchased the Old River Lane site in 2015, after a private sector scheme failed to be delivered. The site offers a prime development opportunity in the heart of Bishop's Stortford town centre. The Council selected Cityheart as their development partner via an OJEU compliant Competitive Dialogue process in 2018. The aims were to create an arts and entertainment centre, residential, retail and leisure uses to drive transformational change in Bishop's Stortford.

Since the project was initially started it has been revisited and updated. The project is currently postponed until the borrowing to construct the building becomes affordable. We note that the Development Agreement with CityHeart has not yet been signed as a result of additional details having to be worked through, including land assembly, the boundary of the development, existence of power sub-stations and culverts and restrictive covenants.

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 for 2021/22 and 2022/23

Spend to date on the Old River Lane project is £4 million. The 2023/24 budget outturn report includes a forecasted £500k further spend. From 2023/24 onwards, there is no forecasted budget spend due to:

- ▶ A £2.0 million saving which arose from delay to the likely commencement of the Arts Centre.
- ▶ A decision to pause the Old River Lane & Arts centre project and rephasing of IT capital spend.

Financing of the capital programme

The March 2023 MTFS notes that the capital programme will be largely funded by external borrowing going forward. The Council has previously been debt free, and this new borrowing will impact the revenue account through the requirement to pay interest and also from the requirement to set aside Minimum Revenue Provision (MRP) to meet the repayment of the principal amount of loans. As part of the completion of our value for money work in this area we will assess the appropriateness and adequacy of the Council's MRP policy and calculation.

The latest MTFS, notes that priority has been given to the following and, as a result of the prioritisation exercise, £9.560 million of capital expenditure has been paused until such time as it is affordable for the Council to start a number of capital projects again:

- ▶ completing the major projects;
- ▶ essential maintenance only on operational assets;
- ▶ essential investment for the new waste contract;
- ▶ continuing to deliver means-tested statutory housing improvement loans

Other matters

The Council was not subject to any inspections. The Council partners with a range of external organisations to consult on and deliver services to the local area. These partnerships are managed using boards, committees and other forums either under statutory or locally determined arrangements to agree and monitor performance against targets.

We have not undertaken a detailed review of the Council's MRP policy and calculation, as noted earlier in this report. We note however that the Council's plans for its capital programme are now reliant on external borrowing and it is therefore important that the Council ensures its policy and calculation is appropriate and compliance with stator requirements.

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



05 Appendices

Appendix A – Management representation letter

Management representation letter 2021/22

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

**400 Capability Green
Luton
LU1 3LU**

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of East Hertfordshire District Council ("the Group and Council for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the of the Group and Council financial position of East Hertfordshire District Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.
 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
 4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), that are free from material misstatement, whether due to fraud or error.
 5. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and Council financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and Council financial statements for the year ended *31 March 2022* are solely the result of reclassifications for comparative purposes.
 6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
 7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.
- B. Non-compliance with law and regulations, including fraud**
1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

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

- involving management, or employees who have significant roles in internal controls, or others; or

in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

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

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3. We have made available to you all minutes of the meetings of the Group and Council/ and committees including the Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 18 March 2025.
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 Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 16 March 2023 (the date of our last management representation letter) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

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D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note xx to the financial statements all guarantees that we have given to third parties.

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

F. Use of the Work of a Specialist

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

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G. Estimates

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

1. We confirm that the significant judgments made in making the valuation of land and buildings included in property, plant, and equipment and investment property estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land and buildings and investment properties estimate.
3. We confirm that the significant assumptions used in making the valuation of land and buildings and investment properties estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income behalf of the Group and Council.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings and investment properties estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

Defined benefit pensions scheme

1. We confirm that the significant judgments made in making the defined benefit pensions scheme estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the defined benefit pensions scheme.
3. We confirm that the significant assumptions used in making the defined benefit pensions scheme estimate appropriately reflect our intent and ability to continue to participate in the Essex Pension Fund.

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4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the defined benefit pensions scheme estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

Business rates appeals provision

7. We confirm that the significant judgments made in making the business rates appeals provision estimate have taken into account all relevant information of which we are aware.
8. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the business rates appeals provision estimate.

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

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H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

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

J. Contingent Liabilities

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

K. Going Concern

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

L. Subsequent Events

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

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 2021/22 including the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

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

N. Climate-related matters

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

G. Group audits

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

Yours faithfully,

(Chief Financial Officer/Finance Director)

(Chair of the Audit & Governance Committee)

Appendix A – Management representation letter

Management representation letter 2022/23

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Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

**400 Capability Green
Luton
LU1 3LU**

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Appendix A – Management representation letter

Management representation letter

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

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 financial statements are appropriately described in the financial statements.
 4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error.
 5. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and Council financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and Council financial statements for the year ended *31 March 2023* are solely the result of reclassifications for comparative purposes.
 6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
 7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.
- B. Non-compliance with law and regulations, including fraud**
1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
 2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

Appendix A – Management representation letter

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Management Rep Letter

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group and Council (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:

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

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

3. We have made available to you all minutes of the meetings of the Group and Council and committees including the Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 18 March 2025.
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 Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 16 March 2023 (the date of our last management representation letter) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

Appendix A – Management representation letter

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Management Rep Letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note xx to the financial statements all guarantees that we have given to third parties.

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

F. Use of the Work of a Specialist

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

Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

G. Estimates

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

1. We confirm that the significant judgments made in making the valuation of land and buildings included in property, plant, and equipment and investment property estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land and buildings and investment properties estimate.
3. We confirm that the significant assumptions used in making the valuation of land and buildings and investment properties estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income behalf of the Group and Council.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings and investment properties estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

Defined benefit pensions scheme

1. We confirm that the significant judgments made in making the defined benefit pensions scheme estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the defined benefit pensions scheme.
3. We confirm that the significant assumptions used in making the defined benefit pensions scheme estimate appropriately reflect our intent and ability to continue to participate in the Essex Pension Fund.

Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the defined benefit pensions scheme estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

Business rates appeals provision

7. We confirm that the significant judgments made in making the business rates appeals provision estimate have taken into account all relevant information of which we are aware.

8. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the business rates appeals provision estimate.
9. We confirm that the significant assumptions used in making the business rates appeals provision estimate appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income behalf of the Group and Council.
10. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
11. We confirm that appropriate specialized skills or expertise has been applied in making the business rates appeals provision estimate.
12. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council entity financial statements.

Appendix A – Management representation letter

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Management Rep Letter

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

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

J. Contingent Liabilities

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

K. Going Concern

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

L. Subsequent Events

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

Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 2022/23 including the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2022/23 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2022/23 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

N. Climate-related matters

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

G. Group audits

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

Yours faithfully,

(Chief Financial Officer/Finance Director)

(Chair of the Audit & Governance 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.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

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

	2022/23	2021/22	2020/21
	Scale fee	Scale fee	fee
	£	£	£
Scale Fee - Code Work	55,440	40,295	40,295
Scale Fee variation - Note 1	TBD	TBD	51,789
Total audit	TBD	TBD	92,094
Other non-audit services not covered above (Housing benefits - Note 2)	TBD	TBD	TBD
Total other non-audit services	TBD	TBD	TBD
Total fees	TBD	TBD	TBD

All fees exclude VAT

Note 1: As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2021/22 and 2022/23 audits. PSAA have already determined the additional fee for 2020/21 as set out above.

Note 2: Our work on the certification of the Council's housing benefit claim has not yet been completed. The fees for this work will be finalised and agreed with management on completion of this work

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: <ul 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 – VFM – Summary of recommendations

Recommendations

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

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability	<p>Officers need to ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.</p> <p>The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery.</p> <p>The Council should ensure it takes action to address the findings and recommendations from the Finance Peer Challenge as a matter of urgency.</p> <p>The Council should undertake a review of its MRP policy and calculation to ensure it is fully compliant with the statutory requirements and guidance and that sufficient set asides are being made.</p>	<p>The following actions are in place:</p> <ol style="list-style-type: none"> 1. A new tracking spreadsheet has been created to ensure the details behind the savings plans within the MTFP are monitored regularly 2. This now includes a phasing of when savings are likely to materialise - which month they start to occur in and any that will not fully materialise in the current financial year - but will continue to materialise in 26/27 3. Additional savings and income are also being included - in separate sections - so that the overall position is reviewed and monitored more frequently (Monthly) by the leadership team <ol style="list-style-type: none"> i. This gives a better visual 'overview' of what is materialising, where issues are arising and when savings might not deliver ii. Which allows plans to be re-looked at and mitigation steps to be started sooner rather than later iii. This will then be shared with members so they have a clearer picture of which is and should be achieved 4. Monthly reports to Leadership Team identifying (early) where overspends are projected so that mitigation can be taken. 5. Confirm that the MRP policy for 2025/26 has been updated, liaising with our External Advisors

Appendix E – VFM – Summary of recommendations

Recommendations

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

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability (continued)		<ol style="list-style-type: none"><li data-bbox="1458 501 2119 767">6. This includes undertaking an exercise to look at MRP calculations which has produced a new calculated MRP charge for all recent years considering the negative CFR as the starting position and only charging MRP from the year after construction was completed. This new calculation shows that a relatively small MRP charge of £42,519 would have been chargeable in 2022/23 - as a lot of the schemes were still under construction in 21/22 and 22/23.<li data-bbox="1458 767 2119 858">7. g. The new S151 Officer to consider and put in place actions to address the findings of the Finance Peer Review.<li data-bbox="1458 858 2119 1067">8. h. The Council's Asset Management Group is reviewing all assets to determine suitability for disposal, further investigation, or retention based on criteria like use value and strategic fit. The disposal program started in October 2024, with revenue benefits expected in the 2025/26 budget, reducing the need for reserves and optimizing asset value.

Appendix E – VFM – Summary of recommendations

Recommendations (continued)

Issue	Recommendation	Management response
<p>Governance: Non preparation and publication of the financial accounts for 2022/23 and 21/22 Annual governance statement (Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended)).</p>	<p>The Council should take immediate action to address the following statutory recommendations:</p> <p>Finance Function Workflow Review: Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p> <p>Quality Assurance Function Review: Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.</p> <p>Finance Team Capacity: Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.</p>	<p>The following actions are in place:</p> <ol style="list-style-type: none"> 1. The 2021/22 and 2022/23 Statements of Accounts are going to the Audit & Governance on 22 April for sign off. 2. It is anticipated that the 2023/24 accounts will be completed and published on the Council’s website by the end of April 2025. 3. Plans have been put in place by the new S151 Officer to ensure that the 2024/25 Statement of Accounts are completed and published on time. 4. The new S151 Officer(started on 1 April) will look to put more controls in place to ensure adequate time is given for reviews to be undertaken prior to publication. 5. A review of the Finance team will be undertaken in their first six months to propose a new structure that will address: <ol style="list-style-type: none"> a) potential ‘single point of failure’; b) capability and capacity of the team to ensure it is fit for purpose; c) Individuals have the necessary skills needed to deliver in line with all deadlines. d) Tasks are clearly defined and delivered on time.

Appendix E – VFM – Summary of recommendations

Recommendations (continued)

Issue	Recommendation	Management response
Governance: Response to Internal Audit recommendations	The Council should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements.	The following actions are in place: <ol style="list-style-type: none"><li data-bbox="1464 435 2116 520">1. The CFO to have regular meetings with the Chief Internal Auditor to discuss audit findings where there are weaknesses identified.<li data-bbox="1464 520 2116 604">2. These will also be discussed with Leadership Team as part of the Monthly meeting specifically set aside for Finance matters.<li data-bbox="1464 604 2116 719">3. These will be monitored by the Operation Council (consisting of CEO, CFO and Monitoring Officer) to quickly identify any weaknesses in its governance arrangements and take necessary actions.<li data-bbox="1464 719 2116 780">4. These will also be reported to Audit & Governance, where members will have an opportunity to review

Appendix F – PSAA Statement of Responsibilities

As set out in this report, 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 G – Other Communications

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).

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