

East Cambridgeshire District
Council
Audit Results Report
Year ended 31 March 2024
20 January 2025





Audit Committee
East Cambridgeshire District Council
The Grange
Nutholt Lane
Ely
CB7 4EE

20 January 2025

Dear Audit Committee Members

2023/24 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee.

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

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

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

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

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

As reported in our 4 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, as set out within this report we have not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and some closing balances (particularly reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

Taken together alongside the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

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

Yours faithfully

MARK HODGSON

Mark Hodgson

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 (<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>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of East Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of East Cambridgeshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of East Cambridgeshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary – Context for the audit

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

MHCLG (formerly 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. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

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

As reported in our 4/11/2024 Audit Completion Report to the Audit Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Exec Summary Section

Expected modification to the audit report

As reported in our 4 November 2024 Audit Completion Report to Those Charged with Governance, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under the arrangements to reset and recover local government audit.

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

The Council have not provided a materially accurate set of draft financial statements supported by good quality working papers which were sufficient and appropriate to support the financial transactions and our audit in a timely manner.

There is insufficient audit resource available to complete the above outstanding procedures on your audit before the 2023/24 backstop date. Insufficient support to the audit meaning that it takes significantly longer than should be necessary is one example of the factors that led to the backlog in the first place, and why the legislative backstop has been introduced.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion. The extent of the disclaimed audit report will include the additional areas of the 2023/24 financial statements where we have not been able to gain sufficient assurance, over and above those we set out in our 2022/23 disclaimed audit opinion.

Section X of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

In line with the Government's legislative arrangements set out above and specifically the 'Recovery phase' of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their 'Accessible Guide' there is an expected minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements. We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.



Executive Summary

Scope update

In our Audit Plan presented at the 16 July 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £0.800 million (Audit Planning Report – £0.811 million). This results in updated performance materiality, at 75% of overall materiality, of £0.600 million, and an updated threshold for reporting misstatements of £0.040 million.

For the Group audit, the updated overall materiality and performance materiality is £0.936 million and £0.702 million, respectively (Audit Planning Report – £1.503 million and £1.127 million). Reporting threshold for misstatements is £0.046 million.

- ▶ Change to the significant risks identified: We updated the “Pension Liability Valuation (inherent risk)” to “Accounting for pension asset/liability (significant risk)” considering that pension asset has been reported in 2023/24 draft Statement of Accounts. Under IAS 19, there is a limit on the size of the net pension asset that can be recognised on the balance sheet. This is referred to as the asset ceiling. An asset ceiling test limits the amount of the net pension asset that can be recognized to the lower of (1) the amount of the net pension asset or (2) the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plans. The subjectivity of assumptions used in determining the value means that we considered there to be a higher risk of material misstatement associated with the significant account.

Status of the audit

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

- ▶ Accounting for Pension Asset/Liability - we are waiting for IAS19 assurances from the auditor of Cambridgeshire Pension Fund.
- ▶ Journal Testing.

Closing procedures:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix C.

Given that the audit process is still ongoing, we will continue to seek the outstanding assurances and challenge the remaining evidence provided and the final disclosures in the Statement of Accounts which could influence our final audit opinion.



Executive Summary (cont'd)

Value for Money

In our Audit Plan dated 18 April 2024, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 03 of the report for further details.

Audit differences

Uncorrected Differences

- ▶ We identified 1 audit differences, in relation to the NNDR Appeals over provision which would have the impact of increase operating profit by £0.057 million, if corrected. To date Management has chosen not to adjust the Statement of Accounts in relation to these items.

Corrected Differences

- ▶ Management have corrected 3 misstatements amounting to £0.879 million.
- ▶ Cash Flow reclassification misstatements amounting to £2.155 million.

Disclosure Differences

We also identified a number of audit disclosure misstatements in the Statement of Accounts, which have been corrected by Management.

Further details on the audit differences can be found in Section 05 of this report.

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The Council falls below the threshold (Threshold - £2 billion) for full procedures, so we will be able to submit an assurance statement verifying this position. We do not expect therefore to have any issues to report. However, whilst we do not expect to be a sampled component, until we have that confirmed by the NAO, we cannot certify completion of the audit and issue the audit certificate.

Independence

Please refer to Section 08 for our update on Independence. We have no matters relating to our Independence to bring to your attention.



Executive Summary (cont'd)

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 Cambridgeshire District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Areas of audit focus:

▶ Misstatements due to fraud or error

We have completed our work in this area and have identified one control weakness which is reported in Section 07. We are completing our remaining work in relation to documenting fraud procedures.

▶ Incorrect capitalisation of revenue expenditure

We have completed our work on this area and have no matters to report.

▶ Accounting for Pension Asset/Liability (significant risk)

We have not completed our work in this area. We have not yet received the response from the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Cambridgeshire District Council.

▶ Valuation of Property, Plant & Equipment (inherent risk)

We have completed our work in this area and have one matter to report. We considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for Property, Plant & Equipment. We noted that the disclosure was calculated incorrectly and proposed amendments, which have been accepted by the Council, and the disclosure has been updated.

▶ National Non-Domestic Rates Appeals Provision (Inherent Risk)

We have completed our work in this area and have identified one difference to report. Our work identified the £0.057 million NNDR Appeals over provision related to incorrect rateable value used by the management expert. See Section 05 of this report for further details. Management has not adjusted for this misstatement.

▶ Bad debt provision and recoverability of debtors (Inherent risk)

We have completed our work in this area and have identified one difference to report. The Council incorrectly categorised £0.493 million of Bad Debt Provisions as a Creditors balance, when this balance should be offset against Debtors (Receivables).



Executive Summary (cont'd)

Areas of audit focus

► Group accounting (inherent risk)

We have completed our work in this area and have number of difference to report.

We have noted a number of errors over our trivial threshold, where 4 of them are material to the Council. Main issues are:

Group Balance Sheet - Reclassification:

- The Council has incorrectly consolidated the Group's current debtor balances as non-current debtor balances amounting to £2.150 million
- Net pension asset was incorrectly presented as a debit balance in Non-Current Liabilities, instead of Non-Current Assets amounting to £3.032 million

Group Balance Sheet and CIES - Intercompany Transactions

- Incorrectly adjusted intercompany debtor and creditor balances between group companies amounting to £9.535 million
- Intercompany sales and purchase transactions between group companies have not been adjusted resulting in overstatement of group income and expenditure by £3.064 million.

Errors over our trivial threshold but below Group materiality level related to the following:

- Intercompany debtor and creditor balances between subsidiary companies have not been adjusted
- The Council does not have the accounting policy for capitalising interest on inventory. Therefore, group inventory balance is adjusted to eliminate the interest capitalised on ECTC inventory balance. The Council has incorrectly calculated this adjustment.
- Depreciation and interest related to IFRS 16 has not been adjusted in group cash flow in non-cash related items.
- Financing and investment income and expenditure from the group companies have been incorrectly adjusted to the group CIES

Due to the errors identified above related to intercompany transactions, the group notes are also amended. See Section 05 of this report for further details. The Council adjusted for this misstatements.

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

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

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

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



Executive Summary (cont'd)

Control observations

During the audit, we did not identify any significant deficiencies in internal control. We have taken a wholly substantive approach to the audit. However, we would like to draw your attention to the following issues identified through our audit:

- ▶ The Council did not comply with the Audit and Account Regulations by publishing the Inspection Notice incorrectly, with an incomplete set of information available for public inspection. The Inspection period was erroneously stated as commencing on 3 June 2024, when the Annual Governance Statement had not been published by that date and was instead published on 1 July 2024. This error was identified by EY and corrected by Management, so the Inspection Period was re-advertised to commence on the 24 July 2024, in accordance with the regulations. Therefore, this did not have a significant impact on the public's rights to inspect the Council's financial statements.
- ▶ The Council does not have any formal procedure in place for the authorisation of journals before they are posted to the General Ledger. This issue was brought to Council's attention in 2021/22 financial year audit but has not been implemented yet. This represents a level of weakness in the Council's overall control environment and increases the potential risk of Management Override.
- ▶ The Department for Levelling Up, Housing and Communities (DLUHC) has issued a consultation on proposed changes to regulations covering the requirement to make a prudent Minimum Revenue Provision (MRP). DLUHC has identified the use of two practices which in the government's view are "not permitted under the Prudential Framework". Consequently, DLUHC is looking to tighten the regulations to remove any scope for authorities to apply these practices. This includes the inappropriate exclusion of a portion of debt (or CFR) from MRP determinations. We are aware that many local authorities do not set aside MRP in relation to certain assets (typically capital loans and equity investments). This has become typical custom and practice but represents a departure from the Statutory Guidance on MRP.
- ▶ The Council has not published the declaration of interests for all Councillors and Officers. This is an important procedure to ensure that the financial statements correctly disclose related party transactions with a link through to the Register of Member Interests.
- ▶ With regards to controls over Property, Plant and Equipment, we have noted control deficiencies associated to the change from the previous Fixed Assets Register (FAR) system to the new FAR (CIPFA Asset Manager). From our work over depreciation, it has been noted that land has been depreciated, which is against IAS 16 Property, Plant and Equipment, but which has not been adjusted for due to trivial amount of error. We have also noted that Infrastructure Assets have not been appropriately depreciated because of an issue in setting up the CIPFA Asset Manager in 2021/22, which has been adjusted by the Council as result of our audit. Whilst these two issues are individually below our trivial threshold, and also offset each other, we have not reported them as audit differences.

However, we would like to make the Audit Committee aware of the control deficiency, given the potential impact this could have on future financial years if not amended by the Management. In addition, the 2023/24 opening balances in the Fixed Asset Register do not reconcile to the Statement of Accounts and has not been amended by the Council. This amounts to a difference of £0.663 million between the Fixed Asset Register balance at the beginning of the 2023/24 financial year and the Statement of Accounts. There are Fixed Asset Register movements amounting to £0.509 million that have not been appropriately disclosed in the Statement of Accounts.

As a result, we have raised recommendations in Section 07 of this report.

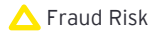


02

Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error



What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. The specific procedures undertaken to address this are set out on the next page. This page details standard procedures we undertake to respond to the risk of fraud and error on every engagement.

What are our conclusions?

Our audit procedures identified that the Council does not have any formal procedure in place for the authorisation of journals before they are posted to the General Ledger. This represents a level of weakness in the Council's overall control environment and increases the risk of management override.

However, we did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.

Our journal entry testing has not identified any instances of inappropriate posting of journals.

We have no matters to bring to your attention.


Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Identified fraud risks during the planning stages;
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Documented our understanding of the oversight given by those charged with governance of management's processes over fraud;
- ▶ Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions);
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determined an appropriate strategy to address those identified risks of fraud;
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including:
 - Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
 - Reviewed the accounting estimates for evidence of management bias;
 - Evaluated the business rationale for significant unusual transactions outside the normal course of business, and;
 - We considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud;
- ▶ We utilised our data analytics capabilities to assist with our work, including journal entry testing.

Areas of Audit Focus

Incorrect capitalisation of revenue expenditure

 Fraud Risk

What is the risk, and the key judgements and estimates?

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 that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through the inappropriate capitalisation of revenue expenditure.

This would improve the financial position of the general fund as capitalised revenue expenditure can be funded through borrowing with only minimal charges recorded in the general fund, deferring the expenditure for a number of years until the borrowing is repaid.

Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Obtained a listing of REFCUS for the year and confirmed that total REFCUS is not material;
- ▶ Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register, and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature;
- ▶ Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. There were no Investment Property additions; and
- ▶ Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

What are our conclusions?

Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.

Our sample testing did not identify any revenue items that were incorrectly classified.

Our data analytics procedures did not identify any movements from expenditure to capital outside of the normal course of business.

Areas of Audit Focus

Accounting for Pension Assets/Liabilities (Significant risk)

 Significant Risk

What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension valuation is a material estimated balance. At 31 March 2024, this showed a net asset position of £2.891 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Cambridgeshire District Council;
- ▶ Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC, commissioned by the National Audit Office for all local government sector auditors, and considered the review of this undertaken by the EY actuarial team;
- ▶ Used our internal EY pensions team to calculate an estimate of the Council's pension asset by running their own 'actuarial model' and comparing this to that produced by the Council's actuary; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- ▶ Reviewed the calculation and accounting treatment for the pension asset ceiling.

What are our conclusions?

We have not at the date of this report completed our work in this area.

We have not received the required assurances (IAS 19) from the auditors of Cambridgeshire Pension Fund in relation to East Cambridgeshire District Council.

We have completed all other procedures and have no matters to report.

Areas of Audit Focus

Valuation of Other Land and Buildings (Inherent Risk)

What is the risk, and the key judgements and estimates?

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

The valuation basis varies depending on the type of assets, and therefore subject to different input, estimation process and assumptions used.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates

Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Performed testing of key assumptions and methodologies on a sample of assets and considered the reasonableness of the estimation techniques employed;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and agreeing this to what has been recorded in the fixed asset register and general ledger;
- ▶ Considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and that any changes were communicated to the valuer;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation;
- ▶ Tested accounting entries have been correctly processed in the financial statements;
- ▶ Reviewed the disclosures to ensure this is adequate in relation to estimation uncertainty.

What are our conclusions?

We did not identify any issues from our review of the work performed by the valuer over the Council's assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.

Our sample testing of key assumptions and methodologies did not identify any material issues concerning the reasonableness of the estimation techniques employed.

We did not identify any specific changes to assets that had occurred that required communication to the valuer.

We did not identify any issues in relation to the useful economic lives as a result of the most recent valuation.

All assets had been appropriately revalued within the Council's 5 year rolling programme. However, we noted that the disclosure note was calculated incorrectly and proposed a number of amendments, which have been accepted by Management and the disclosure has been updated in the revised Statement of Accounts.

Areas of Audit Focus

National Non-Domestic Rates Appeals Provision (Inherent risk)

What is the risk, and the key judgements and estimates?

The calculation of the NNDR Appeals Provision is estimate based and is susceptible to manipulation by management. Due to the impact of Covid-19, there is a possibility that businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. The Council's NNDR Appeals Provision is a material estimate, totalling £2.6 million at the end of 2023/24 for the Collection Fund as a whole.

In light of this, we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.

Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the assumptions made by the Council's NNDR appeals provision specialist; and
- ▶ Assessed the reasonableness of any local adjustments made by the Council on the NNDR appeals provision;
- ▶ Evaluated the reasonableness of the inputs (rateable value and business rates multipliers) used by the specialist to calculate the provision.

What are our conclusions?

We have completed our work in this area and have identified one difference to report. Our work identified the £0.057 million NNDR Appeals over provision related to incorrect rateable value used by the management expert. See Section 05 of this report for further details. Management have chosen not to adjust for this difference.

The Council did not make any local adjustments to the Appeals Provision from the outcome provided by the Council's specialist. We have no other matters to report.

Areas of Audit Focus

Group Accounting (Inherent risk)

What is the risk, and the key judgements and estimates?

The Council has been preparing group accounts for several years. We identified a number of audit differences in this area as part of our previous audits. The Council will need to undertake its annual assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities.

Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the Council's assessment of its Group boundary;
- ▶ Scoped the audit requirements for each of the companies based on their significance to the group accounts.
- ▶ Liaised with the external auditors and issued Group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts;
- ▶ Evaluated any risks at component level on the Group accounts; and
- ▶ Audited the consolidation process and Group accounts.

What are our conclusions?

We have completed our work in this area and have number of differences to report.

We have noted a number of errors over our trivial threshold, where 4 of them are material to the Council's Group Accounts. The main issues are:

Group Balance Sheet - Classification:

- The Council has incorrectly consolidated the Group's current debtor balances as non-current debtor balances amounting to £2.150 million
- The Net Pension Asset was incorrectly presented as a debit balance in Non-Current Liabilities, instead of Non-Current Assets amounting to £3.032 million

Group Balance Sheet and CIES - Intercompany Transactions

- The Council incorrectly adjusted intercompany debtor and creditor balances between group companies amounting to £9.535 million
- The Intercompany sales and purchase transactions between group companies have not been adjusted resulting in overstatement of group income and expenditure by £3.064 million.

Errors over our trivial threshold but below Group materiality level related to the following:

- The intercompany debtor and creditor balances between subsidiary companies had not been adjusted
- The Council does not have the accounting policy for capitalising interest on inventory. Therefore, the Group Inventory balance is adjusted to eliminate the interest capitalised on the ECTC inventory balance. The Council has incorrectly calculated this adjustment.
- Depreciation and interest related to IFRS 16 has not been adjusted in the Group Cash Flow in 'non-cash' related items.
- Financing and Investment Income and Expenditure from the Group companies have been incorrectly adjusted to the Group CIES

Due to the errors identified above related to intercompany transactions, the group notes are also amended.

See Section 05 of this report for further details. Management have adjusted for this misstatement within the revised Statement of Accounts.

Areas of Audit Focus

Bad Debt Provision and recoverability of debtors (Inherent risk)

What is the risk, and the key judgements and estimates?

As a result of the long term impact of Covid-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies. The provision for these bad debts is an estimate, and calculation requires management judgement. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the calculation of the Bad Debt Provision for reasonableness and accuracy; and
- ▶ Considered the recoverability of debts in testing a sample of trade receivables.

What are our conclusions?

We have completed our work in this area and have identified one difference to report. The Council incorrectly categorised £0.493 million of Bad Debt Provisions as a Creditor (Payables) balance, whereas this balance should be offset against Debtors (Receivables).

See Section 05 of this report for further details. Management have chosen not to adjust for this difference.



03 Value for Money

Value for Money

The Authority's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

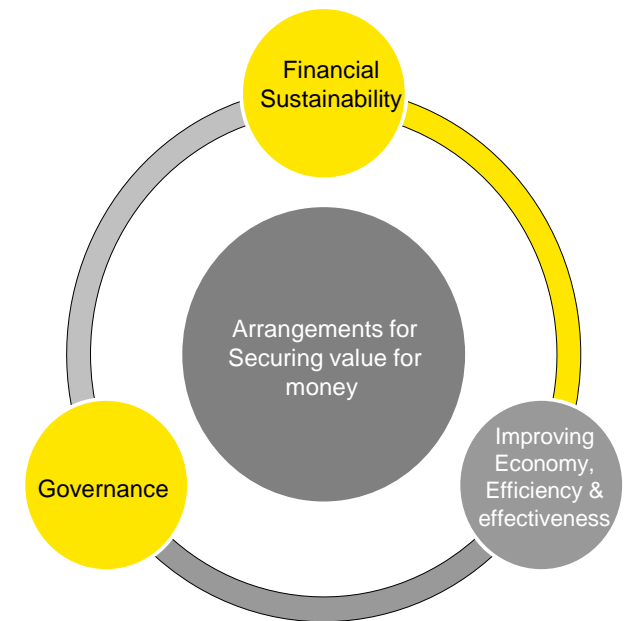
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ 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.

We have completed our detailed VFM work and have not identified any risks of significant weaknesses in the Council's arrangements. We will report our commentary on the Council's arrangements in our Auditor's Annual Report in February / March 2025.





04 Audit Report

Audit Report

Expected modification to the audit report

As reported in our 4 November 2024 Audit Completion Report to Those Charged with Governance, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover local government audit.

Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, as set out within this report we have not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances.

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

Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

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

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



05 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £0.8 million which have been corrected by management that were identified during the course of our audit:

Corrected Differences:

▶ Management have corrected the following misstatements:

- ▶ **Balance Sheet / Comprehensive Income & Expenditure Statement - £0.473 million** - Overstatement of Grants Received in Advance and understatement of General Fund. The Council incorrectly recognised unspent amount of Homelessness Grants in Grants Received in advance instead of Reserves since 2018. The issue became material in 2022/23 (£0.576 million) which EY have noted and proposed an adjustment for both accounting periods 2023/24 and 2022/23.
- ▶ **Balance Sheet - Reclassification of Provision for Bad Debts from Creditors to Debtors: Council Tax £0.202 million, Non-Domestic Rates £0.291 million.** Balance Sheet - Debtors & Creditors - The Council incorrectly categorised Council Tax £0.202 million, Non-Domestic Rates £0.291 million Bad Debt Provisions as a Creditors balance, when this balance should be offset against Debtors (Receivables). This has the impact of reducing both the Debtors and Creditors balances by £0.493 million.
- ▶ **Comprehensive Income & Expenditure Statement - £0.407 million - Gain on disposal** - A gain resulting from the sale of an asset for amount of £0.407 million has been incorrectly posted as a loss on disposal instead of gain on disposal. That had an impact of understatement of gain on disposal of non-current assets for £0.242 million and overstatement of loss on disposal £0.157 million.
- ▶ We also identified a Cash Flow reclassification misstatements amounting to £2.155 million. Interest received was originally within Cashflow from Investing operations and should be within Operating Cashflow.

Uncorrected Differences

- ▶ Management have not corrected misstatements amounting to £0.057 million. £0.057 million NNDR Appeals over provision related to incorrect rateable value used by the management expert.

Management have not corrected the following Disclosure Difference:

• 2023/24 opening balances in the Fixed Asset Register do not reconcile to the Statement of Accounts Note 12b and has not been amended by the Council. This amounts to a difference of £0.663 million between the Fixed Asset Register balance at the beginning of the 2023/24 financial year and the Statement of Accounts. There are Fixed Asset Register movements amounting to £0.509 million that have not been appropriately disclosed in the Statement of Accounts in Note 12b.

We request that these uncorrected misstatements be corrected, or a rationale as to why it is not corrected, be considered and approved by the Audit Committee and provided within the Letter of Representation.

Audit Differences (cont'd)

Summary of adjusted differences (continued)

Disclosure Differences

Disclosure Differences

We also identified a number of audit disclosure differences in the financial statements, which have been adjusted by Management. The most significant of these were as follows:

- ▶ The Revaluation Profile, which aimed to provide assurance that all property had been appropriately revalued within the Council's 5-year rolling programme disclosed in Note 12b, was calculated incorrectly;
- ▶ Loan to subsidiary East Cambs Trading Company as at 31 March 2023 stands at £6 million, however, during the financial year 2022/23 only £1.1 million was released to the subsidiary which should be included in Note 13 - Capital Enhancement and Capital Financing. This overstates the 2023/24 closing balance by £4.9 million;
- ▶ There were number of errors in Collection Fund Statement and related Disclosure Notes. The Council incorrectly charged the reversal of a write off amount for uncollected Council Tax instead of adding it to the Collection Fund Surplus, which resulted in the understatement of the Collection Fund Balance. The total impact of this misstatement was £0.770 million. This ultimately resulted in incorrect calculation of the current year charge for provision of bad debts by the same amount.

We highlight the following Group Financial Statements misstatements greater than £0.702 million (Group TE) which have been corrected by Management that were identified during the course of our audit:

- ▶ The Council has incorrectly consolidated the current debtor balances amounting to £2.15 million from East Cambs Trading Company (ECTC) to the Group's non-current debtor balances. This has the impact of increasing the Short-Term Debtors and reducing the Long-Term Debtors by £2.15 million.
- ▶ The Council's Net Pension Liability has been changed to asset which was incorrectly presented as a debit balance in Non-Current Liabilities, instead of Non-Current Assets. Therefore, this has the impact of increasing both Non-Current Liabilities and Non-Current Assets for £3.032 million.
- ▶ The Council has incorrectly adjusted the intercompany debtor and creditor balances between group companies amounting to £9.535 million. This has the impact of reducing both group debtor and creditor balances by £9.535 million.
- ▶ The Council has not adjusted the intercompany sales and purchase transactions between group companies resulting in overstatement of group income and expenditure by £3.064 million. This has the nil impact on the overall group surplus or deficit.
- ▶ Due to the errors identified above related to intercompany transactions, the group notes are also amended by the above amounts.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

At the date of this report, we have not identified any significant deficiencies in internal control.



07

Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the East Cambridgeshire District Council Statement of Accounts 2023/24 with the audited financial statements.

Financial information in the East Cambridgeshire District Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, and we have no other matters to report

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the Council falls below the £2 billion threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We are able to submit the require Assurance Statement to the NAO confirming this. We therefore have no matters to report to you. However, whilst we do not expect to be a sampled component, until we have that confirmed by the NAO, we cannot certify completion of the audit and issue the audit certificate.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) 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 are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We have not received any formal questions or objections to the Council's financial statements, following the required Inspection Period.

We did not identify any issues which required us to issue a report in the public interest and issue statutory recommendations under Schedule 7.

Other Reporting Issues (cont'd)

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 would like to draw your attention to the following issues identified through our audit:

- ▶ The Council did not comply with the Audit and Account Regulations by publishing the Inspection Notice incorrectly, with an incomplete set of information available for public inspection. The Inspection period was erroneously stated as commencing on 3 June 2024, when the Annual Governance Statement had not been published by that date and was instead published on 1 July 2024. This error was identified by EY and corrected by Management, so the Inspection Period commenced on 24 July 2024, in accordance with the regulations. Therefore, this did not have a significant impact on the public's rights to inspect the Council's financial statements.
- ▶ The Council does not have any formal procedure in place for the authorisation of journals before they are posted to the General Ledger. This issue was brought to Council's attention in 2021/22 financial year audit but has not been implemented yet. This represents a level of weakness in the Council's overall control environment and increases the potential risk of Management Override.
- ▶ The Council has not published declaration of interests for all Councillors and Officers. This is an important procedure to ensure that the financial statements correctly disclose related party transactions with a link through to the register of member interests.

Other Reporting Issues (cont'd)

Other matters

▶ With regards to controls over Property, plant and equipment, we have noted control deficiencies associated to the change from the previous Fixed Assets Register (FAR) system to the new FAR (CIPFA Asset Manager). From our work over depreciation, it has been noted that land has been depreciated, which is against IAS 16 Property, Plant and Equipment, which has not been adjusted due to trivial amount of error. We have also noted that Infrastructure Assets have not been appropriately depreciated because of the issue in setting up the CIPFA Asset Manager in 2021-22, which has been adjusted by the Council as result of our audit. These two issues are individually below our trivial threshold, and also offset each other, therefore we have not reported this numerically. However, we would like to make the Audit Committee aware of the control deficiency, given the potential impact this could have on future financial years if not amended by the Council. In addition to this, the 2023/24 opening balances in the Fixed Asset Register do not reconcile to the Statement of Accounts Note 12b and has not been amended by the Council. This amounts to a difference of £0.663 million between the Fixed Asset Register balance at the beginning of the 2023/24 financial year and the Statement of Accounts. There are Fixed Asset Register movements amounting to £0.509 million that have not been appropriately disclosed in the Statement of Accounts in Note 12b.

Recommendations

As a result, we have raised the following recommendations:

1. We recommend that the Council review and comply with the requirements of the Audit and Accounts Regulations to publish the complete set of information required to exercise public's rights to inspect the Council's financial statements.
2. We recommend that the Council initiates a control to authorise journals before they are posted to the General Ledger
3. We recommend that all Members submit their annual Related Party Disclosure returns in a timely manner to the Finance Team and include all relevant details as requested.
4. We recommend that the Council improve controls over the Fixed Asset Register inputs, settings and reconciliation to Statement of Accounts.

We also deem it necessary to bring the following to your attention:

▶ The Department for Levelling Up, Housing and Communities (DLUHC) has issued a consultation on proposed changes to regulations covering the requirement to make a prudent Minimum Revenue Provision (MRP). DLUHC has identified the use of two practices which in the government's view are "not permitted under the Prudential Framework". Consequently, DLUHC is looking to tighten the regulations to remove any scope for authorities to apply these practices. This includes the inappropriate exclusion of a portion of debt (or CFR) from MRP determinations. We are aware that many local authorities do not set aside MRP in relation to certain assets (typically capital loans and equity investments). This has become typical custom and practice but represents a departure from the Statutory Guidance on MRP. Our testing has identified that the Council do not currently apply MRP on loans made to the subsidiary company. This issue was brought to Council's attention in 2021/22 financial year audit but has not been implemented yet.

As a result we have raised the following recommendation:

5. We recommend that the Council reviews its MRP policy to comply with the updated Statutory Guidance issued by DLUHC.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

Audit Procedures

We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has 4 relevant IT applications (Agresso, CIPFA Asset Manager, Civica Income Manager, iTrent) for the purposes of our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application.

When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.

We reviewed the following processes for the relevant IT applications:

Manage vendor supplied changes
Manage security settings
Manage user access

Audit findings and conclusions

No significant issues were identified in our review of the processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operational effectiveness of any controls through this review.



08 Independence

Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors 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 our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence - 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.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements 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.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year 2023/24	Prior Year 2022/23
	£'s	£'s
Total Fee - Code Work (Note 1)	147,673	48,334
Proposed scale fee variation (Note 3)	TBC - Note 2	Note 1
Total audit	TBC	TBC
Other non-audit services not covered above (Housing benefits) (Note 3)	TBC	TBC
Total other non-audit services	TBC	TBC
Total fees	TBC	TBC

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Note 2 - The scale fee may be impacted by a range of other factors which will result in additional work. The areas where additional audit procedures have been performed are:

- ▶ Revisions to ISA (UK) 315
- ▶ New accounting standards, for example preparedness and additional disclosures in respect of IFRS 16.
- ▶ Identified risks and/or issues in year (i.e IAS 19 asset ceiling calculation, prior period adjustments and additional work performed linked to identified misstatements).

Note 3 - The 2022/23 work has commenced but is not yet complete. The 2023/24 work has not yet commenced. Therefore, the audit fee for this work is TBC as above .



09

Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 5 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2-22/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE') and Impairment/Revaluation	Partial	We have completed testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed period, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024.
Long Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Debtors (including bad debts provisions)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Short-term deposits	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Grants received in advance	None	We have been unable to obtain assurance over the balance at 31 March 2024, as the Council was unable to provide a list of outstanding Grants Received in Advance balances with detailed ageing of the balances at this date.
Creditors Short-term	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Provisions short-term	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Local Government Pension Scheme Asset and Pension Cost	None	We have not yet received the response from the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Cambridgeshire District Council and the associated split of assets and liabilities. We do expect to receive this assurance by the date of our opinion.

Appendix A – Summary of assurances (cont'd)

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Reserves	None	We have not completed our planned testing on the Reserves balance as the Council was unable provide sufficient evidence in a timely manner and we have prioritised other areas of obtaining maximum assurance across the Balance Sheet. Also, we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the Reserves balance. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 Audit Plan.
Group Accounts	Partial	We have completed all planned procedures for 2023/24 but, as we do not have assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives for the Group Accounts.
REFCUS	Partial	We have completed all planned sample testing of 2023/24 transactions but, as we do not have assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements within REFCUS.
Taxation & Non-Specific Grant Income	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements within Taxation and Non-Specific Grant Income.
Other Operating Expenditure - Parish Precepts	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements within Other Operating Expenditure - Parish Precepts.
Staff Costs	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements within Staff Costs.
Housing benefits expenditure	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements within Housing Benefits Expenditure.
Grant Income	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements within Grant Income.

Appendix A – Summary of assurances (cont'd)

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Other Income and Expenditure	None	We have not completed our planned testing on the Other Income and Expenditure in 2023/24 as the Council was unable provide sufficient evidence in a timely manner and we have prioritised maximum assurance across the balance sheet. Also, we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the Other Income and Expenditure.
Cash Flow Statement	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives for the Cash Flow Statement.
Collection Fund	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives for the Collection Fund.
Other Disclosure Notes	Partial	We have completed all planned sample testing of 2023/24 transactions but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives for the Other Disclosure Notes.
Annual Governance Statement	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the Annual Governance Statement for the 2023/24 reporting period.

Appendix B - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		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.	Audit Plan 16 July 2024 Audit Committee
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>	Audit Plan 16 July 2024 Audit Committee
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 	Audit Results Report 3 February 2025 Audit Committee

Appendix B - 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 related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	<p>Audit Results Report 3 February 2025 Audit Committee</p>
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 	<p>Audit Results Report 3 February 2025 Audit Committee</p>
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. 	<p>Audit Results Report 3 February 2025 Audit Committee</p>

Appendix B - 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 	<p>Audit Results Report 3 February 2025 Audit Committee</p>
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> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <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>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan 16 July 2024 Audit Committee</p> <p>Audit Results Report 3 February 2025 Audit Committee</p>
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. 	<p>Audit Results Report 3 February 2025 Audit Committee</p>
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 	<p>Audit Results Report 3 February 2025 Audit Committee</p>

Appendix B - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report 3 February 2025 Audit Committee
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. 	Audit Plan 16 July 2024 Audit Committee Audit Results Report 3 February 2025 Audit Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report 3 February 2025 Audit Committee
System of quality management	<ul style="list-style-type: none"> ▶ How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit Results Report 3 February 2025 Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report 3 February 2025 Audit Committee
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 	Audit Results Report 3 February 2025 Audit Committee Annual Audit Report, March/April 2025

Appendix C – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Pension Scheme Asset	We have not received the response from the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Cambridgeshire District Council	Pension Fund Auditor
Journal Testing	We need to complete our documentation on fraud procedures in relation to journal entry testing	EY and Management
Manager and Partner review of completed work	Manager and partner to complete review of outstanding items	EY
Management representation letter	Receipt of signed management representation letter	Management and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and Management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures above remain to be finalised and audited.

Appendix D - Accounting and regulatory update

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee/Board, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on East Cambridgeshire District Council
IFRS 16 Leases	<ul style="list-style-type: none">▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.▶ The standard must be adopted by 1 April 2024 at the latest	<ul style="list-style-type: none">▶ We have assessed the Council's readiness to implement IFRS 16 as part of our 2023/24 programme of work. That assessment considered:<ul style="list-style-type: none">▶ The Council's processes to collect the required data.▶ Whether reasonable accounting policy choices had been made.▶ Whether relevant finance staff are familiar with the requirements of the CIPFA Code in this area and training has been provided.▶ The transitional and ongoing accounting arrangements that have been established.▶ Systems and processes to establish and distinguish between lease remeasurements and modifications.▶ Based on this assessment we have concluded that the Council has reasonable arrangements in place to support the adoption of IFRS 16 in 2024/25

Appendix E – Management representation letter

Management representation letter

Management Rep Letter

Mark Hodgson
Ernst & Young
One Cambridge Square
Cambridge
CB4 0AE

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Havering (“the Council”) for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of London Borough of Havering as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

2. We acknowledge, as members of management of the 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 Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 Council, we believe that the 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 2023/24 (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. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].
6. We confirm the 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 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.

Appendix E – Management representation letter

Management representation letter

Management Rep Letter

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the 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 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 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.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2023/24 to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 2023/24 (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 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.

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Management Rep Letter

7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. 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 50 to the financial statements all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

E. Ownership of Assets

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

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

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings, IAS 19 pension liabilities, and Non Domestic Rate (NDR) Appeals Provisions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings, IAS 19 pension liabilities, and Non Domestic Rate (NDR) Appeals Provisions 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, IAS 19 pension liabilities, and Non Domestic Rate (NDR) Appeals Provisions

Appendix E – Management representation letter

Management representation letter

Management Rep Letter

3. We confirm that the significant assumptions used in making the valuation of land and buildings, IAS 19 pension liabilities, and Non Domestic Rate (NDR) Appeals Provisions appropriately reflect our intent and ability to carry out the assessments and valuations, and any specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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, IAS 19 pension liabilities, and Non Domestic Rate (NDR) Appeals Provisions.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

H. Retirement benefits

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

I. Reserves

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

J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
 - Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

K. Going Concern

1. Note X to the financial statements discloses all the matters of which we are aware that are relevant to the 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 the events described in Note X to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Appendix G – Management representation letter

Management representation letter

Management Rep Letter

M. Other information

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

N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered including the impact resulting from the commitments made by the Council and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

(Chief Financial Officer)

(Chairman of the Audit Committee)

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