



NORWICH City Council

Committee Name: Audit

Committee Date: 24/02/2025

Report Title: Statement of Accounts 2023-24

Portfolio: Councillor Kendrick, cabinet member for an open and modern council

Report from: Interim Chief Finance Officer

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

This report presents the Audit Results schedule for 2023-24 Statement of Accounts.

Recommendation:

1. It is recommended that Audit Committee approve the 2023-24 Statement of Accounts and Annual Governance Statement at Appendix A.
2. It is recommended that the Interim Chief Finance Officer (S.151) and the Chair of the Audit Committee, in consultation with the cabinet member for an open and modern council, be given delegated authority to undertake any minor amendments if required, and sign and date the 2023-24 Statement of Accounts and Annual Governance Statement at Appendix A.

Policy Framework

The Council has five corporate priorities, which are:

- An open and modern council.
- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich.

This report supports the delivery of all these priorities.

Report Details

Background

1. The unaudited draft statement of accounts were authorised by the Interim Chief Finance Officer (S.151) on 31 May 2024 and published on the website ready for the commencement of the period of public inspection which ran from 19 July to 30 August 2024 following the publication on the website of the Annual Governance Statement on 18 July 2024.
2. The unaudited draft statement of accounts were presented to Audit Committee on 22 October 2024. The accounts have been further reviewed by EY since October and updated for known adjustments and the Audit differences set out in section four of the Audit results schedule.
3. The Annual Governance Statement was presented to Audit Committee in September.

Introduction

4. The statement of accounts are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom (supported by International Financial Reporting Standards) and includes a full balance sheet, comprehensive income and expenditure statement, movement in reserves statement and cash flow statement.
5. Group accounts are also prepared which consolidate the financial performance and position of the council's wholly owned subsidiaries Lion Homes (Norwich) Limited and Norwich City Services Limited.

Audit Results

6. EY started work on the formal audit for 2023-24 in early July and council officers have provided all working papers and sample items requested. Since the commencement of planning work back in February 2024 over 300 requests from EY have now been responded to by officers through their online portal. All requests received from EY have been responded to.
7. The new regulations enacted by the government in the Autumn, which sets a series of backstop dates, has resulted in EY prioritising their resources to ensure all audits for 2022-23 and earlier were complete by the 13 December 2024. The Council completed the 2021-22 and 2022-23 approval process and published its signed accounts on 2nd December 2024.
8. Following completion of the 2021-22 and 2022-23 accounts EY recommenced their audit and review of the information supplied for 2023-24.
9. The previous government proposed a backstop date of 31 May 2025 for 2023-24 accounts; however, the new government reduced the timeframe by 3 months to 28 February 2025. This means that the window available to external auditors to complete work on this year was reduced by three months.

Therefore, as stated in the Audit Results Report EY did not have sufficient time and resource to complete any work on the balances at 1 April 2023 and review all responses made by the Council to the 2023-24 audit requests.

Consultation

10. As detailed in paragraph 2, a formal period of public inspection ran from 19 July to 30 August 2024.

Implications

Financial and Resources

11. The report has no direct financial consequences however the accounts do report on the performance of the council and the provision of value for money services.

Legal

12. There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	No specific implications
Health, Social and Economic Impact	No specific implications
Crime and Disorder	No specific implications
Children and Adults Safeguarding	No specific implications
Environmental Impact	No specific implications

Risk Management

Risk	Consequence	Controls Required
None identified		

Other Options Considered

13. There are no alternative options to this report.

Reasons for the decision/recommendation

14. The committee is asked to approve the statement of accounts and Annual Governance Statement for 2023-24.

Background papers: Draft accounts published on the Council website

Appendices:

Appendix A [2023-24 Statement of Accounts](#) and [2023-24 Annual Governance Statement](#) - Link.

Appendix B – Norwich City Council, Audit Results Report Year ended 31 March 2024

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Norwich City Council Audit Results Report

Year ended 31 March 2024

6 February 2025



Building a Better
working world



Audit Committee
Norwich City Council
City Hall
St Peter's Street
Norwich
NR2 1NH

6 February 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. We will update the Audit Committee at its meeting scheduled for 24 February 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

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 Norwich City Council (the Council) accounting policies and judgements and material internal control findings.

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

The 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 2024 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 12 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under these arrangements to reset and recover local government audit. We have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. 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 of our report.

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

David Riglar

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 Norwich City 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 Norwich City 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 Norwich City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary

Executive Summary – Context for the audit

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

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

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

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

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

As reported in our 12 November 2024 Audit Completion Report to the Audit Committee, we issued disclaimed audit reports on the Council's financial statements for 2021/22 and 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 2021/22 and 2022/23 disclaimed audit reports, 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 backstop 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. 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.

Executive Summary – Context for the audit

Expected modification to the audit report

As reported in our 12 November 2024 Audit Completion Report to Those Charged with Governance, we issued a disclaimed audit report on the Authority's 2021/22 and 2022/23 financial statements under the Government's legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2021/22 and 2022/23 disclaimed audit reports were set out in the During and 2022/23 Audit Completion 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.

As set out within Appendix A of 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.

The Council Implemented a new finance system, Unit4, in February 2024. We raised a significant risk over this system change as detailed in Section 03 of this report. The new system implementation has been a significant project for the Council and has resulted in the Council needing to rethink and change how it prepares its statement of accounts and the working papers that support them. We encountered delays and overruns in procedures due to the complexities introduced with the in-year change to the Council's main finance system, for example, gaining an understanding of how data has been journalled into the new system from the old system, obtaining appropriate auditable transaction listings to support accounting balances and obtaining year end subledger reconciliations.

In addition, as detailed in Appendix A, evidence provided by officers to support balances being tested did not always include all information required for us to gain assurance over all accounting assertions relating to those balances. There is insufficient audit resource available to complete the above outstanding procedures on your audit before the 2023/24 backstop date.

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 2021/22 and 2022/23 disclaimed audit opinions.

Section 09 Appendix A 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 Planning Report presented at the 17 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 exception:

- ▶ **Changes in materiality:** We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £4.36 million (Audit Planning Report – £4.04 million). This results in updated performance materiality, at 50% of overall materiality, of £2.18 million, and an updated threshold for reporting misstatements of £0.22 million.

Status of the audit

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

- ▶ High level review of the Council and groups updated going concern assessment;
- ▶ Final Manager, Partner, and Engagement Quality Reviewer review;
- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review to the date of the audit report; and
- ▶ Receipt of the signed management representation letter and financial statement

Given that the audit process is still ongoing, we will review 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 Planning Report presented at the 17 July 2024 Audit Committee meeting, we reported that we had not completed our value for money (VFM) risk assessment. We have now completed our risk assessment and identified no risk of significant weakness in arrangements. See Section 03 of the report for further details.

Audit differences

Based on the procedures we have undertaken:

- ▶ We have not identified any uncorrected misstatements
- ▶ We identified a number of misstatements which management have corrected for, see Section 04 of the report for further details.
- ▶ Management have corrected a number of disclosure misstatements.

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 yet to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.



Executive Summary (cont'd)

Areas of audit focus

In our Audit Planning Report, we identified a number of key areas of focus for our audit of the Statement of Accounts of Norwich City Council. This report sets out our observations and status in relation to these areas, including our views on the estimates and judgements made within the Statement of Accounts. 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.

Fraud Risk: Misstatement due to fraud or error

- ▶ Audit procedures on this risk have been completed. We have not identified any evidence that management has overridden controls several prepare fraudulent financial statement balances or postings within the financial statements.

Fraud Risk: Risk of fraud in revenue and expenditure recognition - Inappropriate capitalisation of revenue expenditure

- ▶ We have been unable to complete our audit procedures in respect of inappropriate capitalisation of revenue expenditure, see section 02 and Appendix A for further details.

Fraud Risk: Change in accounting policy - Minimum Revenue Provision (MRP)

- ▶ We have undertaken our review of the Council's new MRP policy. The annual MRP charge is not material but misstatements in the policy and computations could result in a cumulative material misstatement over several years. From our audit procedures undertaken we have not identified any evidence of fraud through manipulation of the provision.

Significant Risk: Implementation of new ERP system (Unit4)


- ▶ We have completed our audit procedures in respect of to the implementation of the new ERP system and have noted a few matters as detailed in section 02.

Inherent Risk: Valuation of land and buildings

- ▶ We have been unable to complete our audit procedures in respect of the valuation of land and buildings, see section 02 and Appendix A for further details.

Inherent Risk: Valuation of Investment Properties

- ▶ We have been unable to complete our audit procedures in respect of the valuation of Investment Properties, see section 02 and Appendix A for further details.



Executive Summary (cont'd)

Areas of audit focus (continued)

Inherent Risk: Pensions valuation

- ▶ We have been unable to complete our audit procedures in respect of the valuation of Pensions, see section 02 and Appendix A for further details.

Inherent Risk: Group Accounts

- ▶ We have been unable to complete our audit procedures in respect of the group accounts, see section 02 and Appendix A for further details.

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

Subject to the completion of outstanding procedures, as listed in Section 01, during the audit we:

- > Did not identify any significant deficiencies in internal control,
- > Identified control observations in relation to the change in ERP system, these are detailed in Section 06.

Independence

Please refer to Section 08 for our update on Independence.



02

Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

What is the risk?

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.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other 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.

Our response to the key areas of challenge and professional judgement

We undertook the following standard procedures to address the fraud risk, which included:

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood 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:
 - Testing of journal entries and other adjustments in the preparation of the financial statements;
 - Reviewing accounting estimates for evidence of management bias; and
 - Evaluating the business rationale for significant unusual transactions.
- ▶ Undertook procedures to identify significant unusual transactions; and
- ▶ Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

 Significant Risk

Areas of Audit Focus

Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Tested Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised was clearly capital in nature;
- ▶ Assessed whether the capitalised spend clearly enhanced or extended the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred;
- ▶ Considered whether any development or other related costs that had been capitalised were reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use;
- ▶ Tested REFCUS to ensure that it was appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources; and
- ▶ Identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What are our conclusions?

We have been unable to complete all planned procedures in this area.

We undertook testing of a sample of 67 capital additions. Of the additions tested we have not been able to gain any assurance over 10 of these additions as evidence initially provided by management to support the transactions did not provide sufficient information to conclude on the transactions. Due to the implementation of the 28 February 2025 back stop date we do not have capacity to clear outstanding items and finalize the work. This work will form an element of the rebuild assurance in subsequent years. From the additions tested we have not identified any which were incorrectly capitalised.

We have completed our testing of REFCUS transactions and have not identified REFCUS items which did not meet the statutory definition.

Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.

 Significant Risk

Areas of Audit Focus

Change in accounting policy - Minimum Revenue Provision

What is the risk?

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.

The Council has reviewed and updated its minimum revenue provision (MRP) accounting policy in 2023/24. The changes to the policy will reduce the amount of MRP charged annually to the general fund. We have assessed this change as an area where there maybe be misstatement of revenue due to improper revenue recognition.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Tested the application of MRP to ensure the calculation meet the statutory guidance;
- ▶ Re-performed the MRP calculation;
- ▶ Considered any capital receipts used within the MRP calculation and whether use of these is in line with the prudential code; and
- ▶ Engaged with our EY Local Government technical team to review the Council's MRP policy and disclosure.

What are our conclusions?

We have undertaken our review of the Council's new MRP policy.

The annual MRP charge is not material but misstatements in the policy and computations could result in a cumulative material misstatement over several years.

The MRP charge is based on the Council's Capital Financing Requirement (CFR), we have been unable to fully reconcile the CFR and the split of CFR between the General Fund (GF) and Housing Revenue Account (HRA) and have not been able to verify adjustments for Voluntary Revenue Provision (VRP), Adjustment A and other manual adjustments.

In 2024/25 we will undertake the following procedures to rebuild our assurance over the MRP provision and cumulative position over future years:

- ▶ Undertake a full reconciliation of the CFR between the GF and HRA.
- ▶ Undertake testing of the GF CFR which should be linked back to the individual MRP elements including the Adjustment A, Supported Borrowing, Unsupported Borrowing, VRP, Finance Leases and Loans, that we gain assurance that a full MRP charge has been determined for all the elements of the GF CFR.
- ▶ Review the MRP Policy for the Unsupported Borrowing to ensure compliance with PARA 6.3 Capital Finance in Local Government (2019 edition) and any the understated MRP charge to be made in 24-25.

From our audit procedures undertaken we have not identified any evidence of fraud through manipulation of the provision

 Significant Risk

Areas of Audit Focus

Implementation of new Enterprise resource planning (ERP) system

What is the risk?

During February 2024, the Council implemented a new finance system, Unit4.

As with any major IT upgrade programme, there is a risk that 100% of the relevant financial information has not been completely and accurately transferred to the new system, which may result in material misstatements in the 2023/24 financial statements.

There is also a risk that the new general ledger system does not map the transactions to the correct part of the financial statements.

In addition, there is also a risk that the IT control environment within the new financial system isn't working as designed.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Investigated the control procedures implemented by the Council to ensure the data from the old system transferred accurately and completely into the new system;
- ▶ Agreed the 2023/24 opening balances to the 2022/23 closing balances;
- ▶ Applied data analytic trending analysis and investigate any material differences;
- ▶ Undertook a review of the account mapping within the chart of accounts and year end trial balances and considered the results from transaction testing of the Council's income and expenditure and balance sheet items to provide assurance on the mapping applied to the new system is correct; and
- ▶ Employed our own IT specialists to test the design and use of IT application controls within the new financial system to ensure the IT control environment remains stable.

What are our conclusions?

We have completed our audit procedures in respect of to the implementation of the new ERP system.

Our IT specialists have tested the design and use of the new ERP systems IT application controls and tested the control procedures implemented, overall the controls were found to be adequate. We have identified a number of control observations which are detailed in Section 06.

Our testing of the data transferred from the old E5 system to the new Unit4 system and review of the accounts mapping did not identify any misstatements or any balances where data had not been completely and accurately transferred.

 Significant Risk

Areas of Audit Focus

Other Areas of Audit Focus

What is the risk/area of focus?

Valuation of land and buildings (inherent risk)

The Council employs an external valuer to value its land and building assets.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is an increased risk over the valuation of these assets due to the change in managements expert who may apply different assumptions and methodologies to their valuations.

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.

What did we do and what is our conclusion?

In response to this risk, we:

- Considered the work performed by the Group valuer over the Council and the Group land and building assets, 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 land and building assets and consider the reasonableness of the estimation techniques employed;
- Sample tested key asset information used by the Group valuer in performing their valuation, 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 Group 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;
- Reviewed assets not subject to valuation in 2023/24 to confirm that the remaining asset base was not materially misstated;
- Tested that accounting entries have been correctly processed in the financial statements; and
- Reviewed Financial Statement disclosures to ensure that adequate disclosures have been made in relation to estimation uncertainty.

We have been unable to complete all of our planned procedures in this area.

- 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.
- 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.
- Testing of accounting entries confirmed they had been correctly processed in the financial statements.
- We selected a sample of 31 March 2024 asset valuations to test key assumptions and methodologies applied to the valuations. From our initial testing of the valuation evidence provided we identified a number of audit questions which were sent via management to the Council's valuer. We have reviewed responses to these questions and additional questions would need to be cleared to conclude this work. Due to the implementation of the 28 February 2025 back stop date we do not have capacity to query these outstanding items and finalize the work. This work will form an element of the rebuild assurance in subsequent years.

Areas of Audit Focus

Other Areas of Audit Focus

What is the risk/area of focus?

Valuation of Investment Properties (inherent risk)

The valuation of investment properties represent significant balances in the financial statements and are subject to valuation changes and impairment reviews.

The Council employs an external valuer to value its investment properties.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is an increased risk over the valuation of these assets due to the change in managements expert who may apply different assumptions and methodologies to their valuations.

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.

What did we do and what is our conclusion?

In response to this risk, we:

- ▶ Considered the work performed by the Groups valuer over the Council and the Groups investment properties, 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 further sample of investment properties and consider the reasonableness of the estimation techniques employed;
- ▶ Sample tested key asset information used by the Groups valuer in performing their valuation, 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 Group valuer;
- ▶ Tested that accounting entries have been correctly processed in the financial statements; and
- ▶ Reviewed Financial Statement disclosures to ensure that adequate disclosures have been made in relation to estimation uncertainty.

We have been unable to complete all of our planned procedures in this area.

- ▶ 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.
- ▶ Testing of accounting entries confirmed they had been correctly processed in the financial statements.
- ▶ We selected a sample of 31 March 2024 asset valuations to test key assumptions and methodologies applied to the valuations. From our initial testing of the valuation evidence provided we identified a number of audit questions which were sent via management to the Council's valuer. We have reviewed responses to these questions and additional questions would need to be cleared to conclude this work. Due to the implementation of the 28 February 2025 back stop date we do not have capacity to query these outstanding items and finalize the work. This work will form an element of the rebuild assurance in subsequent years.

Areas of Audit Focus

Other Areas of Audit Focus

What is the risk/area of focus?

Pensions valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's pension fund is a material and sensitive item, and the Code requires the pension valuation to be disclosed on the Council's balance sheet. As at 31 March 2024, the yearend position for the Local Government Pension Scheme is a liability of £10.8 million. Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

The Council prepaid £15.24 million in April 2023 pension deficit payments for financial years 2023/24, 2024/25 and 2025/26 to benefit from a 4.3% discount in doing so.

In addition, for 2023/24 we are aware many Council's pension valuation is an asset as at 31 March 2024. Whilst this is not the case for Norwich City Council, the CIPFA Code requires the impact of the accounting standard IFRIC 14 to be considered. There is a risk that IAS19 disclosures have been produced assuming no IFRIC 14 adjustments are required.

Accounting for these pension schemes involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.

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.

What did we do?

In response to this risk, we:

- ▶ Liaised with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Norfolk County 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 relevant reviews by the EY actuarial team;
- ▶ Undertook procedures to determine whether IFRIC 14 has been considered in the pension liability valuation, is required and whether it has been appropriately applied;
- ▶ Used our internal EY pensions team to calculate an estimate of the Council's pension liability/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.

Areas of Audit Focus

Other Areas of Audit Focus

What is our conclusion?

Pensions valuation (inherent risk) - continued

We have been unable to complete all of our planned procedures in this area.

- ▶ The Norfolk Pension Fund auditors reported to us on the information supplied to the actuary. The Pension Fund auditor identified that the benefits paid figures used by the actuary to calculate the Council's pension liability versus actual benefits paid in 2023/24 was different by £3.58 million.

These findings could result in a material difference in the Council's pension liability. The actual impact of these findings would need to be determined by the Council's Actuary. Due to the implementation of the 28 February 2025 back stop date we do not have capacity to query these outstanding items and finalize the work.

- ▶ The Norfolk Pension Fund auditor identified differences between the investment valuations used to calculate the Council's pension liability as at the 31 March 2024 and the actual year end valuation. The difference for Norwich City Council being estimated at £2.08 million based on the Council's share of the fund. The Council received an updated IAS19 report from the actuary which showed the actual difference to be a reduction in pension liability of £2.23 million.
- ▶ In 2024/25 we will review the Council's prepayment of pension deficit as we have been unable to complete our planned work on this area.
- ▶ We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have followed up on relevant points and have not identified any issues.
- ▶ We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.
- ▶ We engaged our EY Pensions team to review the IAS19 report who found that the estimate as calculated by the actuary fell within our reasonable range and was appropriately calculated.

Areas of Audit Focus

Other Areas of Audit Focus

What is the risk/area of focus?

Group Accounts

The Council has a number of subsidiaries and will need to consider the need to consolidate these subsidiaries into the Council's group accounts.

For 2023/24 management will be employing a different subsidiary auditor to that employed in previous years. There is therefore increased risk that the balances consolidated into the group accounts maybe materially misstated.

We will also undertake procedures to determine whether any material differences in accounting policy's exist between the group accounts and the subsidiaries single entity financial statements. For example, leases are accounted for in the group accounts under the Cipfa Code of Practice on Local Authority Accounting, which applies IAS 17, whilst the group subsidiaries will account for these under IFRS 16.

Upon consolidation, where material differences in accounting policies exist, these will need to be adjusted by management to ensure that balances are consolidated in accordance with the Cipfa Code.

We have been unable to complete all of our planned procedures in this area.

- ▶ We have not received the Lion Homes (Norwich) Ltd subsidiary auditors group reporting pack as they have not concluded their work on the subsidiary's financial statements and therefore, we are unable to gain assurance over the group financial statements.
- ▶ We have reviewed the Council's group boundary assessment and have not identified any issues with the completeness of the components consolidated.
- ▶ Our testing of the accounting framework and accounting policies of consolidated subsidiaries has not identified any misstatements.
- ▶ We have reviewed the outcome of the component auditors work for components other than Lion Homes (Norwich) Ltd.
- ▶ Our testing of intercompany transactions has not identified any misstatements, and we found that consolidation procedures were appropriately applied.

What did we do and what is our conclusion?

In response to this, we:

- ▶ Reviewed the Council's group boundary assessment, to confirm that all relevant subsidiaries have been consolidated into the group accounts;
- ▶ Tested that the accounting framework and accounting policies of consolidated subsidiaries were aligned to the Norwich City Council group;
- ▶ Scope the audit requirements for the subsidiaries based on their significance to the group accounts;
- ▶ Liaised with the external auditor of the subsidiaries and issue 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;
- ▶ Reviewed the outcome of the component auditor's work;
- ▶ Performed detailed testing of intercompany transactions between Norwich City Council and the subsidiaries and between subsidiaries; and
- ▶ Ensured that appropriate consolidation procedures were applied when consolidating relevant entities into the group accounts.



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 Council 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

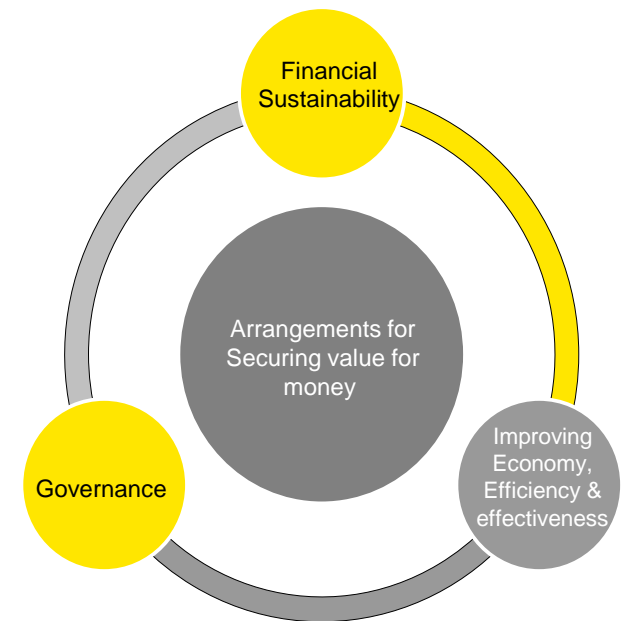
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

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's 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 identified no risks of significant weaknesses in arrangements.



Value for Money Commentary

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

No significant weakness identified

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

During 2023/24, the Council has continued to manage ongoing impacts of Covid on their finances, as well as additional challenges such as the conflict in Ukraine and the cost-of-living crisis linked to inflation. The direct financial impact of the pandemic has lessened from previous years, as the immediate business response to Covid has slowed.

The final outturn position for general fund for the 2023/24 financial year was an underspend of £7.16 million and on the Housing Revenue Accounts an underspend of £0.32 million. The underspending in operations was largely driven by one-off factors including changes to interest rates, additional grants and contract rebates.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through quarterly budget monitoring reports taken to Cabinet meetings. The Council recognises the financial challenges ahead. The 2023/24 Medium Term Financial Strategy shows a budget gap over the four-year period (2023/24 to 2026/27). In order to deliver a balanced budget in the medium term, the Council needs to identify savings of £5.93 million.

At the 31 March 2024, the Council held the General Fund balance at £8.249 million, which is above the approved minimum level of £5.4 million. The Council also held General Fund Earmarked Reserves of £21.68 million. This provides a strong level of resources to mitigate financial challenges identified in the Medium Term Financial Strategy.

The Council should continue to identify, assess and respond to financial challenges to minimise the use of non-recurrent resources like reserves balances.

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

Value for Money Commentary (continued)

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

No significant weakness identified

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

The Council have continued to manage governance considerations in response to the current challenges such as the conflict in Ukraine and the cost-of-living crisis, including in partnership working and delivery of services with other local authorities. The Council regularly reviews its medium-term financial plan and updates its strategy during the year as required to respond to changes impacting the Council. The medium-term financial plan is taken to Cabinet for approval before final approval at Full Council, which ensures that all Members are kept well informed of the process.

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

A risk management strategy and corporate risk register has been put in place by the Council, which are closely linked to the Corporate Plan, ensuring that risks to the achievement of the Council's corporate and service priorities are identified and effectively managed. Risks on the register are reviewed quarterly at the Cabinet meetings. A risk management report is also presented to the Audit Committee twice yearly, where appropriate challenge is given to ensure that the right risks and mitigations are included.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

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

No significant weakness identified

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

The Corporate Plan sets out the Council's ambitions and priorities. This includes priority activities which the Council aims to deliver, and where target delivery dates are monitored. Key Performance Indicators (KPIs) for measuring the Council's performance across a range of service areas are monitored and reported publicly on quarterly basis to the Cabinet. Depending on the performance areas, the Cabinet will have oversight of the actions that are identified and taken to address areas for improvements.

The Council have developed a transformation programme called 'Future Shape Norwich' which aims to which aims to support the Council in its financial sustainability and deliver a more efficient approach to customer focused service delivery.

The Council has a number of joint arrangements with other local authorities to exercise the Council's Executive and/or Non-Executive functions. Where the arrangements are to exercise the Council's statutory functions, the terms of reference and functions of these joint committees are set out within the Constitution. The Council also works in partnership with others to drive efficiency and improving the effectiveness of delivery to the communities. One of the key partnerships is the Norwich Town Deal which sees the Council working closely with local communities, partners and public or private investors to deliver major regeneration projects in the city. The partnership has put in place a Board with representatives from the partners organisations, including the Chief Executive and Executive Director of Development and City Services of the Council. The Board meets monthly to discuss the progress of the programme with the minutes being published on the website. Regular updates are also provided to Cabinet.

The Council has two wholly owned subsidiaries, Lion Homes (Norwich) Ltd and Norwich City Services Ltd. Business plans for both are approval by the Cabinet following a review by the Council's scrutiny committee. The subsidiaries are governed by individual boards who meet each quarter with a shareholder panel of Council members and officers to review performance and outcomes.

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



04 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 audit differences

Subject to the completion of outstanding procedures.

Adjusted Audit Differences

We have identified the following audit differences which we expect management to adjust for.

Provisions:

The short term provisions balance as at the 31 March 2024 included a provision for HRA redundancies of £1.53 million. This provision had been fully utilised in year and therefore the balance on this provision at year end should be £nil.

The impact of the misstatement is:

Debit - Balance Sheet - short term provisions : £1.53 million

Credit - Comprehensive Income and Expenditure Statement - Net cost of services: £1.53 million

Housing Revenue Account, Income reclassification:

£5.30 million of income for Contributions towards expenditure was found to have been incorrectly mapped to Charges for Services & Facilities. This is a reclassification adjustment which does not have an impact on Surplus/Deficit for the year.

The impact of misstatement is:

Debit - HRA Income and Expenditure Statement - Charges for Services and Facilities: £5.30 million

Credit - HRA Income and Expenditure Statement - Contributions towards expenditure: £5.30 million

Audit Differences

Summary of audit differences (continued)

Subject to the completion of outstanding procedures.

Adjusted Audit Differences

Pension Liability (Other Long Term Liabilities):

The Council received an updated IAS19 report from the pension's actuary following changes to the year end investment valuations held in Norfolk Pension Fund. This showed the actual difference to be a reduction in pension liability of £2.23 million.

Debit - Balance Sheet - short term provisions : £2.23 million

Credit - Comprehensive Income and Expenditure Statement - Actuarial losses (Gains) on pension assets & liabilities: £2.23 million

Disclosures:

Management have also adjusted for a number of disclosure misstatements, this includes adjustments to the remuneration disclosure note for the overstatement of agency fees.

Unadjusted Audit Differences

We have not identified any unadjusted audit differences.



05 Audit Report

Audit Report

Expected modifications to our audit report

As reported in our 2021/22 and 2022/23 Audit Completion Report (dated 12 November 2024), we issued a disclaimed audit report on the Authority'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, 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.

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

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

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

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



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 identified the following observations from our work on the implementation of the new ERP system that we would like to bring to the attention of the Audit Committee:

IT Scope Area	Risk Rating	Summary finding	Overall comments and Explanations
IT Governance and Project Management	Low	A Project Plan (Project Initiation Document) exists but it is not in a finalised state and has not been formally approved.	The Project Implementation Document provided had open comments and was not the finalized Project Plan that was signed. There is documentation around the versions of the plan that had been through edits however there was no evidence to show that the there was a final plan that was signed off by the Project Sponsor. The last version updated was on Jan 2023 tracked by the Programme Manager who left the organization in September 2023 before the project implementation.
	Low	The Data Migration Plan, which is in the Project Initiation Document, lacked details and the responsible person had not been identified.	
	Low	Lack of Test Plan	Although there is evidence that testing was performed, we observed that there was no testing plan created as part of the project initiation documentation.
	Low	Lack of Training plan	There was no finalised training plan, with key information from the Project Initiation Document still in "TBD" status.
Initial user Load	Medium	Lack of Approval of Privilege users as part of the initial load	There was no evidence to support that access to be granted was approved prior to loading or that the access granted was validated immediately after go-live.
Privileged Access	Medium	Lack of definition of privileged users.	There is no definition of privileged access and what roles are considered privileged within any of the design/security documents of the project, and as such, we were unable to establish a strong definition of what is considered privileged access for the new IT environment.
	High	There are 25 users with inappropriate access to System Administrator that extended after migration/hypercare period.	The only elevated access to the new system were System Administrators, of which there were 25 users with inappropriate access after Migration and the Hypercare period which was for one month after 14th of February 2024 till March 2024. There were no details of the privileged access granted, and the assignments of privileged access given to relevant individuals with respect to Job responsibilities or titles and part of the project plan. We could not therefore evaluate the IDs of those with privileged access as those were not defined.
Hypercare Controls	High	Lack of evidence to show monitoring of elevated user access granted during implementation and hypercare and if those elevated access were appropriately revoked after the hypercare period	All users access was raised and monitored through the Council's IT Help desk, any access that was provided during migration was revoked within the time frame of the activity completed. However, there is no evidence to support that activities of privileged users were monitored and subsequently revoked at the end of the hypercare period.



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 Norwich City Council Statement of Accounts 2023/24 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.

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

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 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.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

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

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We had no reason to exercise these duties.

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 currently have nothing to report in respect of these matters.

Other Reporting Issues (cont'd)

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

ISA 315 is effective from 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.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures

We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has 6 relevant IT applications (E5 Financial System, Unit 4, ICON Cash receipting system - CivicaPay, NEC Revenues & Benefits and 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 entity programmed changes
- Manage security settings
- Manage user access
- Job scheduling and managing IT process

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 operation 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
	£	£
Total Scale Fee - Code Work	212,891	74,317 Note 1
Proposed Scale fee variation (Note 2)	40,000 - 55,000	TBC
Total fees	TBC	TBC
Other non-audit services not covered above (Housing benefits) (see Note 3)	TBC	TBC

All fees exclude VAT

Notes:

(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.

(2) The scale fee is 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
- ▶ Identified risks and/or issues in year relating to audit procedures on the
 - ▶ Fraud Risk: Change in accounting policy - Minimum Revenue Provision (MRP),
 - ▶ Fraud Risk: Implementation of new ERP system (Unit4)
 - ▶ Pension valuation IAS 19 asset ceiling calculation.
 - ▶ Non-compliance with law and regulation with an impact on the financial statements.

(3) The fees for the 2022/23 and 2023/24 certification work are yet to be determined as the work has not yet been completed.



09

Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 05 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 2022/23 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 Audit Committee the level of assurance that has been obtained as a result of the financial statements audit. We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial	<p>We have undertaken our planned audit procedures in this area and have completed a number of these procedures including reconciliation of the fixed asset register to the statement of accounts and general ledger, testing of asset disposals, depreciation and asset existence and the Council's right to recognize those assets in 2023/24. We have been unable to conclude on our planned procedures in the following areas:</p> <ul style="list-style-type: none"> ➤ Asset valuations. We selected a sample of 31 March 2024 asset valuations to test key assumptions and methodologies applied to the valuations. From our initial testing of the valuation evidence provided we identified a number of audit questions which were sent via management to the Council's valuer. We have reviewed responses to these questions and additional questions would need to be cleared to conclude this work. Due to the implementation of the 28 February 2025 back stop date we do not have capacity to query these outstanding items and finalize the work. This work will form an element of the rebuild assurance in subsequent years. ➤ Capital additions. We commenced our testing of a sample of 67 capital additions. Of the additions tested we have not been able to gain assurance over 10 of these additions as the evidence initially provided by management to support the transactions did not provide sufficient information to conclude on the transactions. Due to the implementation of the 28 February 2025 back stop date we do not have capacity to query these outstanding items and finalize the work. <p>Until we are able to rebuild assurance over the completeness and accuracy of the asset base through testing of PPE additions and valuations, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.</p>
Heritage Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Intangible Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short and Long Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short and Long Term Debtors	Partial	We have completed our planned audit procedures in this area other than on the bad debt provision and HRA debtors which we are finalizing our procedures on. The work is still subject to file review by Manager and Engagement Partner.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Short and Long Term Borrowings	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 Creditors	Limited	<p>We have undertaken our planned audit procedures this area and have completed a number of these procedures. We have been unable to conclude on our planned procedures in the following areas:</p> <ul style="list-style-type: none"> ➤ Creditor testing. We selected a sample of 26 year end creditors as at the 31 March 2024. Of the creditors tested we have not been able to gain assurance over 14 of these creditors as evidence provided to support the transactions was not complete. Due to the back stop we do not have capacity to finalize this work asset valuations and undertook initial testing over valuation evidence provided; ➤ Creditor Cut off testing and unrecorded liabilities testing. We commenced our testing of a sample of 14 transactions at year end for cut off testing, of the transactions tested we were unable to confirm for 7 transactions which period they related to from evidence provided. We commenced unrecorded liabilities testing for April to June 2024. Due to the back stop we do not have capacity to finalize these areas of work. <p>Until we are able to rebuild assurance over the areas referenced above, we are unable to obtain full assurance over the year end creditors position as at 31 March 2024. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.</p>
Provisions (Short and Long Term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Other Long Term Liabilities (Defined Benefit Pension Scheme)	Limited	<p>We have commenced our procedures in this areas. The Pension fund auditor reported to us that:</p> <ul style="list-style-type: none"> ➤ They identified that the benefits paid figures used by the actuary to calculate the Council's pension liability versus actual benefits paid in 2023/24 was different by £3.58 million. ➤ We have been unable to complete our planned work on the Council's prepayment of pension deficit. <p>Due to the back stop we do not have capacity to undertake additional procedures to assess the impact of these findings on the Council's pension liability in the Balance Sheet and are therefore unable to rebuild assurance over this area. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.</p>

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Capital Grants Received in Advance and Section 106 monies	Partial	We have completed our planned audit procedures in this area. Our testing of these balances has focused on testing the in year 2023/24 movements, as such we do not have assurance over the closing balance at 31 March 2024 as we do not have assurance over the opening position at 1 April 2023. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.
Comprehensive Income and Expenditure Statement (including the Housing Revenue Account)	Partial	We have completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24, however, the work is still subject to file review by Manager and Engagement Partner. 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 statement are accurate. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.
Reserves	Limited	We have completed our work on the movements in reserves in 2023/24 but, due to the disclaimed opinion in the prior year, we do not have assurance over the prior year movements that have been posted to reserves. The 31 March 2024 yearend reserve position is derived from the cumulative posting of current and prior year movements and as such we only have limited assurance over the closing position at the 31 March 2024 balance sheet date. Until we have completed our work to rebuild assurance in this area, we are unable to obtain complete assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.
Group Accounts	Limited	We have been unable to complete all our planned audit procedures for 2023/24 as we have not received the Lion Homes (Norwich) Ltd subsidiary auditors group reporting pack as they are yet to conclude on their work. Additionally, as a result of not having assurance over the opening balances, we do not have full assurance over the in-year movements or prior year comparatives for the Group Accounts
Collection Fund	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the statement in 2023/24, however, the work is still subject to file review by Manager and Engagement Partner.
Housing Revenue Account	Partial	We have completed our planned testing on the Housing Revenue account in 2023/24, however, the work is still subject to file review by Manager and Engagement Partner.
Cashflow Statement	Partial	We have completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24, however, the work is still subject to file review by Manager and Engagement Partner.
Disclosure Notes	Partial	We have completed our planned audit procedures for all disclosures notes in the 2023/24 statement of accounts, however, the work is still subject to file review by Manager and Engagement Partner.
Annual Governance Statement	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the statement in 2023/24.

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 planning report dated 2 July 2024, Audit Committee
Planning and audit approach	Communication of: <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 	Audit planning report dated 2 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 planning report dated 2 July 2024, 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 	Audit results report dated 6 February 2025, Audit Committee
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 	Audit results report dated 6 February 2025, Audit Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report dated 6 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
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 	Audit results report dated 6 February 2025, Audit Committee
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 planning report dated 2 July 2024, Audit Committee</p> <p>Audit results report dated 6 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. 	Audit results report dated 6 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
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 	Audit results report dated 6 February 2025, Audit Committee
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. 	Audit results report dated 2 July 2025, Audit Committee
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 dated 6 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
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. 	<p>Audit planning report dated 2 July 2024, Audit Committee</p> <p>Audit results report dated 6 February 2025, Audit Committee</p>
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 dated 6 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 dated 6 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 dated 6 February 2025, Audit Committee
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report dated 6 February 2025, Audit Committee

Appendix C – Management representation letter

Management representation letter

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

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

This letter of representations is provided in connection with your audit of the [consolidated and parent] Authority financial statements of [name of entity] ("the [Group and] authority") for the year ended [balance sheet date]. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the [Group and] authority financial position of [name of entity] as of [balance sheet date] and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the [Group and] the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our [consolidated and parent] Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the [Group and the parent] Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the [Group and] authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the [consolidated and parent] Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the [Group and parent] Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the [Group and] authority financial statements are appropriately described in the [Group and] authority financial statements.
4. As members of management of the [Group and] authority, we believe that the [Group and] authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [[applicable financial reporting framework] for the Group and] [applicable financial reporting framework] for the Authority that are free from material misstatement, whether due to fraud or error.

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5. *[When there are unadjusted audit differences in the current year]* 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 consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because *[specify reasons for not correcting misstatement]*.
6. *[When the comparative figures have been restated]* The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.
7. We confirm the *[Group and]* authority does not have securities (debt or equity) listed on a recognized exchange.
8. We have confirmed to you any changes in service organizations within the *[Group and]* authority since the last audited financial year.

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

1. We acknowledge that we are responsible to determine that the *[Group and]* authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the *[consolidated and parent]* Authority financial statements may be materially misstated as a result of fraud.
4. *[When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.]* 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 laws and regulations, including fraud, known to us that may have affected the *[Group or]* Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the *[consolidated and parent]* Authority financial statements
 - Related to laws or regulations that have an indirect effect on amounts and disclosures in the *[consolidated and parent]* Authority financial statements, but compliance with which may be fundamental to the operations of the *[Group and]* authority's business, its ability to continue in business, or to avoid material penalties

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- Involving management, or employees who have significant roles in internal control, or others
- 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 [consolidated and parent] Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: *[list date]*.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the [Group and] authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the [consolidated and parent] Authority 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 [applicable financial reporting framework].
6. We have disclosed to you, and the [Group and] authority has complied with, all aspects of contractual agreements that could have a material effect on the [consolidated and parent] Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the [consolidated and parent] Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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Management representation letter

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

D. Liabilities and Contingencies

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

E. Going Concern

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

F. Subsequent Events

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

G. Group audits

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

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2023/x24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

I. Climate-related matters

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

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J. Ownership of Assets

1. Except for assets recognised as right-of use assets in accordance with IFRS 16 Leases, the Group and Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Authority'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 Group and Authority has satisfactory title appear in the balance sheet(s)

K. Reserves

1. We have properly recorded or disclosed in the consolidated and parent Authority financial statements the share/capital stock repurchase options and agreements, and shares/capital stock reserved for options, warrants, conversions and other requirements.

L. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and parent Authority financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and parent Authority financial statements). 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, [continue listing as appropriate]) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and parent Authority financial statements or as a basis for recording a loss contingency.

- Matters referred to in the letters dated [date] issued to you by the Authority's General Counsel and the Authority's Tax Counsel.
- Matters referred to in the letter of comments received from the [name of regulator] regarding

M. 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 consolidated and parent Authority 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.

N. Estimates

Valuation of Land and Buildings Estimate

1. We confirm that the significant judgments made in making the [insert name of the accounting estimate] have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the [insert name of the accounting estimate].
3. We confirm that the significant assumptions used in making the [insert name of the accounting estimate] appropriately reflect our intent and ability to carry out [describe the specific courses of action] on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty are complete and are reasonable in the context of [the applicable financial reporting framework].

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5. We confirm that appropriate specialized skills or expertise has been applied in making the [insert name of the accounting estimate].
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and parent Authority financial statements.
7. [When estimates have been identified that do not meet the recognition or disclosure criteria of the applicable financial reporting framework]. We confirm that the recognition and/or disclosure criteria within [applicable financial reporting framework] have not been met with respect to the accounting estimate for [describe accounting estimate] and accordingly we have [not recognized the estimate in the consolidated and parent Authority financial statements / disclosed the existence in the notes to the consolidated and parent Authority financial statements but not recorded the estimate in the accounting records].

O. IAS 19 Pensions Liability Estimate

1. We confirm that the significant judgments made in making the [insert name of the accounting estimate] have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the [insert name of the accounting estimate].
3. We confirm that the significant assumptions used in making the [insert name of the accounting estimate] appropriately reflect our intent and ability to carry out [describe the specific courses of action] on behalf of the entity.

4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty are complete and are reasonable in the context of [the applicable financial reporting framework].
5. We confirm that appropriate specialized skills or expertise has been applied in making the [insert name of the accounting estimate].
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and parent Authority financial statements.
7. [When estimates have been identified that do not meet the recognition or disclosure criteria of the applicable financial reporting framework]. We confirm that the recognition and/or disclosure criteria within [applicable financial reporting framework] have not been met with respect to the accounting estimate for [describe accounting estimate] and accordingly we have [not recognized the estimate in the consolidated and parent Authority financial statements / disclosed the existence in the notes to the consolidated and parent Authority financial statements but not recorded the estimate in the accounting records].

Appendix C – Management representation letter

Management representation letter

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

P. 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.

Yours faithfully,

(Chief Financial Officer)

(Chair of the Audit Committee)

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