

**East Sussex Fire Authority  
Completion Report for Those  
Charged with Governance**

**Year ended 31 March 2023**

**Report issued - 20 November 2024**



Scrutiny & Audit Panel  
East Sussex Fire Authority  
Church Lane, Lewes, East Sussex, BN7 2DZ

20 November 2024

Dear Scrutiny & Audit Panel

**Completion Report for Those Charged With Governance**

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Scrutiny & Audit Panel of East Sussex Fire Authority (the Authority) with a detailed complete report covering our approach and outcomes of the 2022/23 audit.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

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

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

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

In completing our work for this audit year we have taken into account Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, against this backdrop we have also considered the Committee's service expectations.

This report considers the impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises 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 Scrutiny & Audit Panel, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

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

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

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

Yours faithfully

Elizabeth Jackson

Partner

For and on behalf of Ernst & Young LLP

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# Contents




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

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Scrutiny & Audit Panel and management of East Sussex Fire Authority. Our work has been undertaken so that we might state to the Scrutiny & Audit Panel and management of East Sussex Fire Authority 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 Scrutiny & Audit Panel and management of East Sussex Fire Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary – System wide context

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

The previous Department of Levelling Up, Housing and Communities, and more recently MHCLG, has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024” (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:


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

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

## Local Background and Context

East Sussex Fire Authority has been in a position to present draft statements of account for audit within the regulatory timeframe in recent years and published the 2022/23 financial statements by 31 May 2023.

Due to audit resource constraints, we were unable to schedule the 2021/22 audit in order to meet the reporting timeline of 30 September 2022, and instead completed the audit in 30 November 2022. We then did not have the audit resource necessary to perform the 2022/23 audit for the Council before the back stop date.



# Executive Summary – Authority responsibilities

## Responsibilities of Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Authority's Section 112 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2023. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Authority's resources are readily available to support the audit process, within agreed deadlines. The Scrutiny & Audit Panel, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Authority's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Authority financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of the proposed backstop date of 13 December 2024.





# Executive Summary – Report structure and work completed

## Report structure and work completed

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

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

Section 2 - Work Plan - we have completed the following planning tasks:

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

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

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

Section 4 - Value for money reporting

- ▶ The value for money report covering all open years to 31 March 2023.

Section 5 - Appendices





# 02 Work Plan

# Work Plan – Audit Scope

## Audit scope

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

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2023 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

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

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

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

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

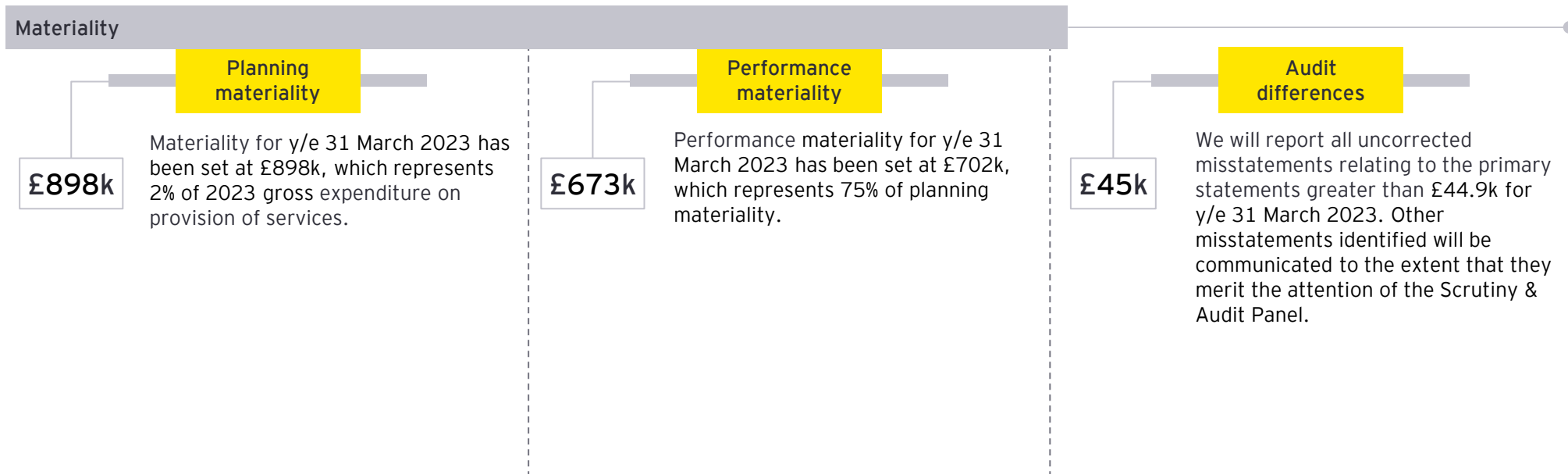
Given that SI 907/2024 imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

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

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

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

# Work Plan - Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the published draft financial statements for the 2022/23 audit year.



# Work Plan – Significant, inherent and other risk areas

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

## Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Misstatement due to fraud or error	31 March 2023	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	31 March 2023	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of Land and Buildings in Property, Plant and Equipment (PPE)	31 March 2023	Inherent Risk	No change in risk or focus	The fair value of Land and Buildings in PPE represent significant balances in the Authority’s accounts and are subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension Liability Valuation	31 March 2023	Inherent Risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. The triennial valuation exercise has been completed as at 31 March 2022, and we will review the key judgements and estimates as part of our audit. Accounting for this scheme involves significant estimation and judgement and therefore, management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.



# Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final stage

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

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

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

# Work Plan - Independence

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any.

## Overall Assessment

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

## Self interest threats

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

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

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

At the time of writing, there are no non-audit fees. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

## Self review threats

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

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



## 03 Results and findings



# Results and findings

## Status of the audit

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

- ▶ Completion of subsequent events procedures
- ▶ Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion.

## Value for Money

Our value for money (VFM) work is complete and reported in Section 04 of this report. We identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 04 of the report for further details.

## Audit differences

We did not identify any differences to report for 2022/23.

The Authority should ensure that in approving the Statement of Accounts, all prior year comparatives agree to the final set of prior year Statement of Accounts, or explanations for prior year adjustments have been set out by the Section 112 Officer.

## Other Reporting Issues

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

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

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

## 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 Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

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





# Results and findings

## Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of East Sussex Fire Authority. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

In this instance, 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 Scrutiny & Audit Panel.

## Control observations

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

## Independence

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



# Results and findings

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the 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; and
- ▶ Consideration of laws and regulations.

We have no matters to bring to your attention.

Draft audit report

Our opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST SUSSEX FIRE AUTHORITY

### Disclaimer of opinion

We were engaged to audit the financial statements and the firefighters' pension fund financial statements of East Sussex Fire Authority ('the Authority') for the year ended 31 March 2023. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement,
- the related notes 1 to 37 including a summary of significant accounting policies and including the Expenditure and Funding Analysis,
- and include East Sussex Firefighters' Pension Fund Accounts comprising the Fund Account, the Net Assets Statement, and the related notes 1 to 3.

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

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

### Basis for disclaimer of opinion

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

We completed the audit of the 2021/22 financial statements and issued our audit opinion on 30 November 2022.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements.

### Matters on which we report by exception

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

## Our opinion on the financial statements

We report to you if:

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

We have nothing to report in these respects.

### Responsibility of the Treasurer

As explained more fully in the Statement of the Treasurer's Responsibilities set out on page 11, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



## Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether East Sussex Fire Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Sussex Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

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

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

### **Certificate**

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

### **Use of our report**

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

# Results and findings - Audit Report (cont'd)

DRAFT

## Our opinion on the financial statements

*Elizabeth Jackson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
Xx December 2024*

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

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 20 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements



# 04 Value for Money





# Executive Summary

## Purpose

Auditors are required to be satisfied that East Sussex Fire Authority has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report to comply with the requirements of the 2020 Code of Audit Practice (updated for 2024) and Auditor Guidance Note 3 (AGN 03). For 2022/23, the annual commentary is included in this report.

The 2024 Code has reduced the scope of the VFM reporting up to and including the 2022/23 financial year. However, in the February 2024 consultation on the new Code, the NAO stated that where auditors have begun or already undertaken work that no longer falls under the reduced scope, they may still report on it in accordance with paragraph 13 of Schedule 3 of the 2024 Code. EY are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

## Risks of Significant Weakness

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

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



# Executive Summary (continued)

## Reporting

We completed our risk assessment and any detailed audit procedures and did not identify any significant weaknesses in the Authority's VFM arrangements.

The detailed arrangements and processes underpinning the reporting criteria as reported in our 2021/22 Auditor's Annual Report were updated for 2022/23 and reported in our Interim VFM Report that was presented to the Scrutiny & Audit Panel on 16 May 2024.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Fire Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the Fire Authority uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

# Value for Money Commentary

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

**No significant weakness identified**

## Budget outturn report

At every meeting, a Revenue and Capital Budget Monitoring Report is presented to the Policy & Resources Panel. These reports compare the actual figures incurred compared to the budget approved at the start of the financial year, highlighting the areas of net overspend and underspend. The report also comments on whether the Authority are on track to achieve all of the planned savings for the year.

After year end, a Provisional Outturn is also presented to the Policy & Resources committee, summarising the net position of the Authority for the year prior to external audit. The provisional outturn is a net revenue overspend of £357k which is a reduction of £70k from the position presented to the Policy and Resources in April 2023. The overspend was funded from the General Fund reserve, resulting in net movement for the year from £1,913k down to £1,556k. The Authority achieved 62% of their savings strategy during the year (£480,000 out of £778,000).

The Capital Budget approved at the start of the year was £7,250k. However, the budget was revised in February 2023 down to £4,146k. Even with this revised target, the resulting outturn position for the year was a £513k underspend. In relation to Capital Reserves, there was a planned net drawdown from the Capital Programme Reserve of £2,709k to fund capital projects, however there was actually a net transfer into the reserve of £815k due to delays.

## Medium Term Financial Plan (MTFP)

The MTFP is used to assist the creation of the annual budget. The model takes into consideration the impact of budget pressures (such as the Cost of Living crisis and Inflation) and considers the impact on future financial years. For 2023/24, the MTFP shows a net budget requirement of £45,058k with a Council Tax requirement of £31,093k. This includes £1,295k of known savings, but also a required use of reserves of £636k. The balanced budget for 2024/25 also assumes use of £721k of reserves. Therefore the use of Reserves to bridge the funding gap is possible in the medium term but not sustainable in the longer term. The Authority is looking to identify further savings and additional funding sources in order to sustain their financial position. The Authority has a history of being able to achieve savings, with £10.75m identified since 2010/11.

The MTFP also considers the risks that have potential to impact on the Authority's ability to deliver its budget plans. This includes changes to the assumptions used to create the MTFP as listed above, but also factors such as failure to deliver on planned savings, further development of local devolution proposals or outcomes of internal or external inspections which require additional funding in specific service areas to be made. The Authority has made provision to manage financial risks and in year pressures through both the Reserves Strategy and a contingency within the Revenue Budget of £533k in 2023/24, reducing to £385k by 2027/28.

# Value for Money Commentary (continued)

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

**No significant weakness identified**

## Capital programme

The current approved capital strategy covering 2023/24 to 2027/28 is £28,280k, split between Fleet and Equipment and Estates. The programme has been updated with recent information regarding inflation, plus correction of some historic pricing anomalies and the reallocation of previously anticipated underspend in 2022/23 due to slippage. An inflation provision of 5% has also been included across the Engineering budgets to reflect further inflationary pressures.

It is expected that part of the capital programme will be funded through new borrowings in the medium term, and the cost of borrowing to revenue has already been built into the MTFP above. The expectation is that by the end of the MTFP period the Authority's total debt will increase from £9.8m to £21.1m, though there has been some delay in the need for borrowing due to slippage of capital projects.

To ensure the Capital Asset Strategy remains sustainable, the Authority is aiming for all normal replacement and maintenance of existing capital assets to be funded from revenue, while additional borrowing will only be used to fund new projects where a business case has been made and the cost of borrowing is considered against any savings.

## Going concern assessment and cashflow forecasting

East Sussex Fire Authority include their assessment of Going Concern within their Accounting Policies in their draft financial statements each year. We have not identified any factors in the budget outturn which would be a risk to the Authority's Going Concern status.

We obtained an updated version of the Authority's Cash Flow Forecast during the year. Our review of the cash flow forecast shows that the Authority has enough cash and cash equivalents (plus maturing investments) until the end of September 2024 to make payments as they fall due. Additionally it shows that the Authority have a sufficient cash balance in place in case unexpected payments are required.

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

# Value for Money Commentary (continued)

**Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks**

**No significant weakness identified**

## Annual Governance Statement (AGS)

The AGS reports on the effectiveness of the Authority's governance arrangements during the financial year to ensure that business is conducted in accordance with the law and proper standards and public money is effectively safeguarded and utilised. The report is formatted to address each of the 7 requirements of the CIPFA Framework 'Delivering Good Governance in Local Government: Framework (2016)'.

The AGS also references other reports at the Authority, such as the Integrated Risk Management Plan, Medium Term Financial Plan and reports from Internal Audit. The end of the report details Assurance & Significant Governance Issues. It states that no gaps in assurance over key risks or significant governance issues have arisen during the year, however there are areas identified where governance could be improved. These points are included in an Action Plan which is monitored during the following financial year.

There were several points in the Action Plan from the 2021/22 AGS that were monitored by the Authority during 2022/23, with an update presented at the same time as the draft 2022/23 AGS. In total, 4 out of the 12 action points were now marked as 'Complete', with the remaining listed as 'Continuing' and are included in the listed points above from the 2022/23 AGS. We have reviewed the status updates against each of the existing points within the action plan. All updates appear reasonable and show that the Authority is making reasonable progress to complete the Actions as soon as feasibly possible.

## Internal Audit reports from the year and anything issued since end of 2022/23, including the Annual Report setting out the Head of IA's Opinion for the year and any counter fraud reports

Internal Audit services are provided to the Authority by external company: Orbis Internal Audit. Orbis produce an audit plan at the start of the financial year which sets out the audit approach for 2022/23 and the planned programme of work to be delivered. The final 2022/23 Internal Audit Opinion was presented to the Scrutiny and Audit Panel in July 2023. Overall, the Authority has been given a 'reasonable' opinion for its frameworks of governance, risk management and management control. The report specifically notes that where improvements to control or compliance are required, the internal auditors are satisfied that appropriate action has been agreed with the relevant managers to ensure these improvements are made within reasonable timescales.

For 2022/23, Orbis IA reviewed the controls in place for the Accounts Payable and Accounts Receivables systems in detail. For both, they gave an opinion of 'Reasonable Assurance', though noting that there were some weaknesses identified in the AP process which have been raised which management have agreed to rectify as part of their action plan. Other areas reviewed by internal audit during the year include review of the SAP Change Readiness (Reasonable Assurance), Ill Health Retirement Arrangements (Reasonable Assurance) Management of Governance Actions (Reasonable Assurance), IT Asset Management (Reasonable Assurance) and Surveillance Cameras Follow-Up (Substantial Assurance). Our review of these items in the Internal Audit Opinion document have not identified any issues in relation to VFM.



# Value for Money Commentary (continued)

**Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks**

**No significant weakness identified**

The Public Sector Internal Audit Standards (PSIAS) requires an external quality assessment to be undertaken of the internal audit functions of all public sector bodies every 5 years. For ESFA, this was for Orbis Internal Audit. The assessment was performed by the Chartered Institute of Internal Auditors and the report was published in November 2022. The EQA assessed Orbis IA as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified. Even with the positive result, the report highlighted several areas where improvements could be made. Because of this, Orbis IA have created an Action Plan which details their response to each of the points and the estimated timescale for the improvement. We have reviewed all 8 of these recommendations as included in the report and note there are no risks of significant weakness in VFM arrangements arising from these.

ESFA published their draft 2022/23 financial statements for audit on the 31 May 2023, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Authority has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

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

# Value for Money Commentary (continued)

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

No significant weakness identified

## Narrative Statement

The Authority's Narrative Report is included in their draft 2022/23 Financial Statements. The report is prepared by the Assistant Director of Resources / Treasurer based on the requirements of the CIPFA Code. The Narrative Statement is then broken down into several subsections. From our review of the Narrative Statement, we have not identified any factors that would impact the Authority's VFM arrangements.

## Performance reports

The Authority present a Performance Report each quarter to the Scrutiny and Audit Panel which summarises their performance against several Key Performance Indicators. Significant performance level changes are reported on an exception basis.

The Q4 report for 2022/23 compares the totals achieved during the year to the 2021/22 totals. Out of the 21 KPIs, 12 are showing as 'improved' from the direction of travel at YE 2021/22. It had been noted previously that 5 of the 21 KPIs had been identified by the Fire Authority as being a priority. The Panel report details the progress that has been made against each of these points, and the further steps required from the Authority for those which have declined since the prior year.

The Authority's Performance Report shows all of the KPIs which have been set to help the Authority achieve their goals of improving their services in-line with their Integrated Risk Management Plan. We can see from the documents referenced above that the Authority is taking active steps to meet these KPIs, with emphasis given to those which have been highlighted as a high priority.

## Treasury Management Strategy and monitoring reports for debt and investment decisions

The Treasury Management Outturn position is included in the Provisional Outturn presented to the Policy & Resources Panel in July 2023. We have confirmed the figures in the Provisional Outturn are consistent with those in the Draft 2022/23 Financial Statements.

There is a link to the reduction in Short Term Investments and increase in Cash Equivalents as the Authority refocused some of their investment types based on their short term needs - Cash equivalents are more liquid and are better to fund the immediate capital schemes which are taking place in early 2023/24 following slippage from 2022/23. We do note that Short Term Investments have decreased by a higher amount compared to the increase in Cash Equivalents, and this is due to a reduction in the amount of available cash from grant income at year end compared to the prior year, particularly in relation to S31 Grants.

# Value for Money Commentary (continued)

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

No significant weakness identified

The Authority has not acquired additional borrowing in-year with the reduction between 2022 and 2023 due to the repayment of loans to PWLB in-line with their payment terms. All borrowings on fixed term contracts and therefore the changes to the BOE base rate have not impacted interest payable.

As documented in the MTFP section above, the Authority is planning on taking out additional borrowing in the medium term to finance its Capital Programme, but this has been delayed due to the slippages in the Capital Programme. However, the overall borrowing requirement has increased as a result of increases to the capital programme to reflect inflationary pressures.

There were no changes to the Investments Strategy for 2023/24 compared to 2022/23. There has been a minor change to the approved Authorised Limits of maximum borrowings. This represents a limit beyond which external borrowing is prohibited, and reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

From the work performed, we have not identified any significant weaknesses in VFM arrangements through Treasury Management.

## Strategic risk register

The Authority maintain a Risk Register which is reviewed quarterly by the Scrutiny and Audit Panel meetings. Each of the identified risks is disaggregated into their specific causes, with associated mitigations which contribute to reducing the overall risk score. Additionally, each risk has further actions which are to be implemented / monitored by the Authority. There is a Corporate Risk Owner for each risk who provides updates to the status of the risk at each meeting.

We have reviewed the risks included in the Risk Register and confirmed the risks included in all documents appear reasonable and realistic based on the risk profile of the Authority and the activities in which the Authority engages in. We have reviewed all Mitigations and Actions included within the Risk Register and agree they address the risks identified by the Authority while also being achievable.

# Value for Money Commentary (continued)

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

No significant weakness identified

## HMICFRS inspection

The His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) carried out an Effectiveness, Efficiency and People inspection during 2021/22 with the report being published in January 2023. The inspection report shows that the Authority has made significant improvements across the organisation but will continue to work on the specific points as mentioned in the report to ensure the Authority runs as efficiently as possible with resources focused in the right areas. None of the areas assessed were rated as inadequate.

Overall ratings are:

- Effectiveness - Good
- Efficiency - Good
- People - Requires Improvement

The Authority has taken on board the areas for improvement and monitor implementation of the actions to ensure continued improvements are made.

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





# 05 Appendices

# Appendix A – Management representation letter

## Management representation letter

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

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

### Ernst & Young

This letter of representations is provided 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.



# Appendix A – Management representation letter

## Management representation letter

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## Management Rep Letter

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

# Appendix A – Management representation letter

## Management representation letter

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

## Management Rep Letter

- 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.



# Appendix A – Management representation letter

## Management representation letter

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

## Management Rep Letter

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

### D. Liabilities and Contingencies

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

### E. Going Concern

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

### F. Subsequent Events

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

### G. Group audits

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

### H. Other information

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

### I. Climate-related matters

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

*Yours faithfully,*

(Chief Financial Officer/Finance Director)

(Chairman of the Audit Committee)

# Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment
- ▶ The Authority 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 Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

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

	Current Year 2022/23	Scale fee 2022/23	Prior Year 2021/22
	£	£	£
Total Fee - Code Work	TBC	30,815	40,781
<b>Total audit</b>	<b>TBC</b>	<b>30,815</b>	<b>40,781</b>
Non-audit services	0	0	0
<b>Total other non-audit services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total fees</b>	<b>TBC</b>	<b>30,815</b>	<b>40,781</b>

*All fees exclude VAT*

Note 1 - PSAA Ltd, in line with the joint statement issued MHCLG (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.

# Appendix C – Required communications with the Audit Committee

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

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Completion report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Any other matters considered significant</li> </ul>	This Completion report for Those Charged with Governance

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

## Our Reporting to you

Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>	This Completion report for Those Charged with Governance
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Completion report for Those Charged with Governance



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

## Our Reporting to you

Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:                             <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> </ul> </li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	This Completion report for Those Charged with Governance
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	This Completion report for Those Charged with Governance

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

## Our Reporting to you

Required communications	What is reported?	When and where
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	This Completion report for Those Charged with Governance

# Appendix D – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## ***Preparation of the statement of accounts***

*26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.*

*27. In preparing their statement of accounts, audited bodies are expected to:*

- › prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- › ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- › assign responsibilities clearly to staff with the appropriate expertise and experience;*
- › provide necessary resources to enable delivery of the plan;*
- › maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- › ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- › ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- › during the course of the audit provide responses to auditor queries on a timely basis.*

*28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.*

# Appendix E – Other Communications

## EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY – UK](#).



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