



Audit and Governance Committee

Members are invited to a **Meeting of the Audit and Governance Committee** to be held in the Deben Conference Room, East Suffolk House, on **Monday, 11 March 2024 at 6:30 PM**

This meeting will be broadcast to the public via the East Suffolk YouTube Channel at <https://youtube.com/live/R64PsAZ3-aA?feature=share>

Members:

Councillor Owen Grey (Chair), Councillor Stephen Molyneux (Vice-Chair), Councillor Edward Back, Councillor Tess Gandy, Councillor George King, Councillor Geoff Lynch, Councillor Lee Reeves, Councillor Anthony Specca, Councillor Ed Thompson.

An Agenda is set out below.

| Part One – Open to the Public | | Pages |
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| 1 | Apologies for Absence and Substitutions To receive apologies for absence. | |
| 2 | Declarations of Interest Members and Officers are invited to make any declarations of interests, and the nature of that interest, that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered. | |
| 3 | Minutes To agree as a correct record the minutes of the meetings on 11 December 2023 and 8 January 2024. | |
| 3a | Minutes 11 December 2023 | 1 - 8 |
| 3b | Minutes 8 January 2024 | 9 - 14 |
| 4 | External Audit Update ES/1878 Report of the Cabinet Member with responsibility for Resources and Value for Money | 15 - 101 |
| 5 | Corporate Fraud Business Plan 2024/25 ES/1879 Report of the Cabinet Member with responsibility for Resources and Value for Money and Assistant Cabinet Member for Resources and Value for Money | 102 - 112 |

| Part One – Open to the Public | | Pages |
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| 6 | Annual Data Protection Plan 2024/2025 ES/1880 Report of the Cabinet Member with responsibility for Resources and Value for Money, Assistant Cabinet Member for Resources and Value for Money and Cabinet Member with responsibility for Corporate Services (Digital, Customer Services, HR and Assets) | 113 - 125 |
| 7 | Treasury Management 2023/24 Quarter 3 Report ES/1881 Report of the Cabinet Member with responsibility for Resources and Value for Money | 126 - 135 |
| 8 | Internal Audit Strategy, Plan and Charter 2024/25 ES/1882 Report of the Cabinet Member with responsibility for Resources and Value for Money and Assistant Cabinet Member for Resources and Value for Money | 136 - 163 |
| 9 | Internal Audit Reports Recently Issued ES/1883 Report of the Cabinet Member with responsibility for Resources and Value for Money and Assistant Cabinet Member for Resources and Value for Money | 164 - 172 |
| 10 | Work Programme 2024-25 To consider the Committee's forward work programme for 2024-25 | 173 - 174 |
| 11 | Exempt/Confidential Items It is recommended that under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act. | |
| Part Two – Exempt/Confidential | | Pages |
| 12 | Exempt Minutes To agree as a correct record the exempt minutes of the meetings on 11 December 2023 and 8 January 2024. | |
| 12a | Exempt Minutes 11 December 2023 <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information). | |
| 12b | Exempt Minutes 8 January 2024 <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information). | |
| 13 | Internal Audit: Status of Actions <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information). | |
| 14 | Anti-Money Laundering Policy 2024/25 <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information). | |

Close



Chris Bally, Chief Executive

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Minutes of a Meeting of the **Audit and Governance Committee** held in the Conference Room, Riverside, on **Monday, 11 December 2023** at **6:30 PM**

Members of the Committee present:

Councillor Edward Back, Councillor Tess Gandy, Councillor Owen Grey, Councillor George King, Councillor Geoff Lynch, Councillor Lee Reeves, Councillor Anthony Specca, Councillor Ed Thompson

Other Members present:

Officers present: Kate Blakemore (Strategic Director), Chris Bing (Head of Legal and Democratic Services), Laura Fuller (Audit Manager), Andy Jarvis (Strategic Director), Siobhan Martin (Head of Internal Audit), Marie McKissock (Finance Manager Compliance), Agnes Ogundrian (Conservative Political Group Support Officer), Lorraine Rogers (Chief Finance Officer), Ben Woolnough (Planning Manager - Development Management, Major Sites and Infrastructure), Frances Wykes (Principal Auditor)

1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Molyneux.

The Chair stated that due to the number of items on the agenda, he proposed moving items 5, 6, 7, 9 and 10 on the agenda to an extraordinary meeting of the committee which would be held on the 8 January.

On the proposal of Councillor Gandy, seconded by Councillor Back it was

RESOLVED

That items 5, 6, 7, 9 and 10 on the agenda be deferred.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

On the proposal of Councillor Lynch, seconded by Councillor Thompson, it was **RESOLVED**

That the minutes of the meeting of 11 September 2023 be agreed as a correct record and signed by the Chair.

4 Final Audit Results Report 2020-21, Auditors Annual Report 2020-21 and Statement of Accounts 2020-21

The Committee received report **ES/1766** of Councillor Vince Langdon-Morris, Cabinet Member with Responsibility for Resources and Value for Money.

The Chief Finance Officer introduced the report. A provisional Audit results report had previously been received by the Committee, and the purpose of this report was to give the Committee the opportunity to review the Reports prior to their final sign off.

The Chief Finance Officer highlighted the following points from Ernst and Young's conclusion. Regarding financial statements, an unqualified opinion had been issued. The financial statements give a true and fair view of the financial position of the Council as at March 2021. Regarding value for money, Ernst and Young have completed their consideration of the impact of the Councils non-compliance with the rent standard. This represent a significant weakness in governance arrangements in 2021, and are therefore reporting by exception details of the significant weaknesses in their audit report. They have also considered this in their Value for Money commentary. Regarding the Statement of Accounts, these do not include anything not previously presented to the Committee.

On the proposal of Councillor Lynch, seconded by Councillor Back, it was by a unanimous vote

RESOLVED

That the Committee:

1. Notes the external auditors' findings within the Audit Results Report 2020/21 (Appendix A).
2. Notes the Auditors Annual Report (AAR) which includes the Value for Money commentary (Appendix B).
3. Notes the final Statement of Accounts for 2020/21 (Appendix C).
4. Approves final sign-off and publication of the 2020/21 audited statement of accounts allowing EY to issue the audit certificate to conclude the audit.

5 Capital Strategy 2024/25 to 2027/28

This item was deferred.

6 Treasury Management Strategy Statement for 2024/25 & Treasury Management Investment Strategy for 2024/25

This item was deferred.

7 Corporate Risk Management Update

This item was deferred.

8 Internal Audit Plan 2023/24 Progress Report

The Committee received report ES/1768 of Councillor Vince Langdon-Morris, Cabinet Member with Responsibility for Resources and Value for Money, and Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money.

The Head of Internal Audit introduced the report, the purpose of which was to update the Committee on the plan of work for 2023/24. The Committee had approved the plan earlier in the year, but it did shift depending on the risks that were identified.

The Head of Internal Audit highlighted the table in Appendix A of the report which detailed the progress of each activity on the plan. As had previously been discussed by the Committee, there were a number of vacancies in the Internal Audit team, but the Head of Internal Audit believed there was enough coverage at present for an opinion to be issued at the end of the year.

The Chair invited questions.

Following a question from Councillor Speca on staff resource, the Head of Internal Audit confirmed that some items could be deferred if necessary. An agency worker had also been bought in to provide additional support, and some resource was available from Ipswich Borough Council. The scope of the work for each area could also be revised depending on what was happening. The Head of Internal Audit reassured the Committee that it was normal for the plan to shift, and that the team had the expertise and coverage in the team to complete the necessary work.

Councillor Lynch referred to planning enforcement follow up action which had been deferred, and asked why this had been done as concerns had been raised in this area previously. The Head of Internal Audit stated that because there had been assurances from the planning department that this was in hand this had been deferred to the first quarter of the next year. It was recognised that this was an area of concern and it would be covered.

The Chair asked if there was anything the committee could do stress the need for extra staff in this area. Councillor Gandy added that this seemed to be a recurring issue and asked why this was. The Head of Internal Audit stated that this was an issue for all

Councils, which was why partnership working was so important. The Chair asked that the Committee consider the issue of resourcing of the Internal Audit team as this was a potential risk.

On the proposal of Councillor Thompson, seconded by Councillor Reeves it was

RESOLVED

That having commented upon the progress and updates made to the Internal Audit Plan 2023/24, the Committee endorses its contents.

9 Anti-Fraud and Corruption Strategy 2023

This item was deferred.

10 Whistleblowing Policy

This item was deferred.

11 Internal Audit Reports Recently Issued

The Committee received report **ES/1769** of Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money and Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money.

The Head of Internal Audit introduced the report which presented three internal audit reports concerning Capital Accounting Follow Up 2023-24m Changing Places Certification 2023-24 (relating to 2022-23) and ESC COMF Fund Certification 2023-24 (relating to 2022-23).

On the proposal of Councillor Gandy, seconded by Councillor Back it was

RESOLVED

That having commented on the attached internal audit reports, the Audit and Governance Committee note their contents:

- Capital Accounting Follow Up 2023-24
- Changing Places Certification 2023-24 (relating to 2022-23)
- ESC COMF Fund Certification 2023-24 (relating to 2022-23)

12 Amendment to the Constitution: Planning Committee Member Call In Process

The Committee received report ES/1781 of Councillor Kay Yule, Cabinet Member with responsibility for Planning and Coastal Management.

The Planning Manager introduced the report which asked the Committee to make a change to the Constitution regarding the consideration of planning applications by referral panel. The change had been recommended by Scrutiny Committee and agreed by the Strategic Planning Committee, it now needed the approval of Audit and Governance and Full Council. The proposed change would allow a town or parish

council and a ward member to ask for a planning application to go to a planning committee. If a member of planning committee member agreed then the application could be added to the agenda without the referral panel having to agree.

Councillor Lynch asked how this change would impact the number of applications heard by a planning committee. The Planning Manager commented that this was unknown. The proposed change placed more power in the hands of Councillors to take into account feedback from their Parish and Town Councils. The effectiveness of the new process and its impact would be reported to Strategic Planning Committee to see how often it was used and how useful it was. Officers and members did need to consider that this could significantly impact the workload of planning committees, and take into account other referral processes that existed.

The Chair asked whether there was there an intention to review this change and amend it if necessary. The Planning Manager stated that when the Strategic Planning Committee received their annual report they could then recommend that a change was made to this process if it was felt necessary.

Councillor Lynch stated that the committee should recommend that this process was reviewed in six months to ensure that it was working. Councillor King agreed that this should be reviewed to ensure that the amendment was helping residents and not adding to their frustrations as the planning process was a common cause of complaints.

Councillor Specca agreed that any review should not be based on the number of applications, but on how well this served communities.

The Chair agreed that a recommendation should be added which stated that this process be reviewed six months after implementation.

On the proposal of Councillor King, seconded by Councillor Lynch it was

RESOLVED

That Audit and Governance Committee recommends to Full Council that the Council's Constitution be amended as per Strategic Planning Committee's proposals of 3 July 2023, to introduce a Planning Committee Member Call in process and to amend the scheme of delegations, as detailed at sections 3.1 and 3.2 of this report.

That the Planning Committee Member Call In process be reviewed six months after implementations.

13 Proposed changes to East Suffolk Council's Constitution

The Committee received report ES/1782 of Councillor Dr Anthony Specca, Chair of the Council and Chair of the Constitution Review Working Group. The purpose of the report was to summarise the work of the Constitution Review Working Group (CRWG) and set out the initial review of the Council's Constitution.

Councillor Specca introduced the report and stated that he was bringing this proposal forward on behalf of the CRWG which included councillors from all parties. All decisions and changes in the report were made on a unanimous basis, and the group specifically agreed in their terms of reference that a vote would be a last resort. The aim of the group was to ensure that the constitution was democratically sound and accessible. The constitution should be accessible to all councillors, officers and the public. Some of the council processes were very confusing, for example the procedure for motions being debated by Full Council, and it was hoped that the revised Constitution put all parties on even footing. Councillor Specca added that several officers were also included in the working group, and their views were taken into account. Many of the changes had been identified by officers in the previous four years.

The Chair invited questions.

Councillor Gandy welcomed the change to motions to ensure they were heard equally at Full Council. Regarding the allocation of motions and the time limit for motions, how would this work practically, as it could be possible for two parties motion to take up all the time, and therefore the third party could continually be pushed back. Councillor Specca stated that this had been discussed at length. This referred to motions on notice, and normally motions brought forward here were brought forward only by the opposition parties. The time limits were suggested, and could be flexed if the Chair believed it was appropriate. The limits here were to ensure that more motions were heard, not less.

Councillor Lynch asked why there was a limit on people only speaking once, sometimes Councillors had multiple questions for areas they were interested in or had knowledge on. Councillor Specca commented that this had been done as in practise members often introduced debate into the period set aside for questions. This change was intended to remove the artificial barrier between questions and debate which was ignored. People would be allowed to make one substantive speech, but would be allowed to ask questions for clarification as these often got lost. It was already the case that councillors could only speak once. The chair should not stand in the way of discussion and should not allow certain people to speak more than others. This rule was intended to provide the chair with a way of moderating this debate. It could be flexed if needed but there had to be some sort of limit. Councillor Specca stated that Councillors should be prepared to make their point in one speech.

The Chair asked if the discretion of the Chair was stated in these rules. The Monitoring Officer confirmed that the principal of chairs discretion was reflected in these rules, this could be made more explicit based on feedback. Councillor Specca stated he sympathised with these concerns and the issue could be reviewed further down the line if further flexibility was needed.

Councillor Gandy stated that the question process was about understanding what motions were intending, although it was misused for political purposes. She would like to see more questions encouraged, and less speeches, as most people should come to the meeting with an understanding of what they thought about a motion. Councillor Specca stated he agreed with this point, and that it had proven to be difficult to balance the need to limit people making continued speeches, and the desire to encourage good

questions. This rule was movement in this direction, and there could be further work done here.

Councillor King stated he had found these procedures very difficult as a new councillor, and asked if there could be a diagram to explain some of them. He added that the process for questions from members of the public had been clarified but more could be done to provide help to the public themselves. Councillor Speca stated that the Constitution should cover the rules only, and there was a plan for there to be a supplementary document which explained certain parts of the Constitution (for example submitting a question or a motion). Training for Councillors would also be held to ensure people understood what they needed to do. Most members of the public would therefore interact with these higher level explanatory documents rather than the constitution to itself.

Councillor Lynch referred to the petitions scheme, and asked if more information would be provided on this to ensure that petitions would be relevant and within the Council's realm of influence. Councillor Speca stated that the petitions scheme would be rewritten, but during this interim period the current petition scheme would apply. The Strategic Director added that the current petitions scheme did state that petitions should be something that were within the councils control, but this could be made more explicit.

On the proposal of Councillor Thompson, seconded by Councillor Reeves it was

RESOLVED

That Audit and Governance Committee recommends to Full Council that the substantive changes to East Suffolk Council's (ESC's) Constitution proposed by the Constitution Review Working Group (CRWG), as summarised in this report and as shown at Appendix A, Appendix B and Appendix C of this report, be adopted as East Suffolk Council's Constitution pending the CRWG's completion of its full review of the Constitution.

14 Audit and Governance Committee's Forward Work Programme

The Committee noted the forward work programme.

15 Exempt/Confidential Items

On the proposal of Councillor Lynch, seconded by Councillor King it was

RESOLVED

That under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 2 & 3 of Part 1 of Schedule 12A of the Act.

16 Exempt Minutes

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

17 Report on the Outcome of an Investigation of a Complaint

- Information that is likely to reveal the identity of an individual.

18 Internal Audit Status of Actions

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

19 Internal Audit Reports Recently Issued (Exempt)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting concluded at 20:23.

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Chair

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Minutes of a Meeting of the **Audit and Governance Committee** held in the Deben Conference Room, East Suffolk House, on **Monday, 08 January 2024 at 6:30 PM**

Members of the Committee present:

Councillor Edward Back, Councillor Tess Gandy, Councillor Owen Grey, Councillor Geoff Lynch, Councillor Stephen Molyneux, Councillor Lee Reeves, Councillor Anthony Specca, Councillor Ed Thompson

Other Members present:

Councillor Vince Langdon-Morris, Councillor Rosie Smithson

Officers present: Heather Fisk (Head of Housing), Lorraine Fitch (Democratic Services Manager), Andy Jarvis (Strategic Director), Sandra Lewis (Head of Digital, Programme Management and Customer Services), Matt Makin (Democratic Services Officer (Regulatory)), Siobhan Martin (Head of Internal Audit), Marie McKissock Financial Manager - Compliance), Stacey Ransby (Performance & Risk Officer), Philip Ridley (Head of Planning and Coastal Management), Alli Stone (Democratic Services Officer), Julian Sturman (Specialist Accountant – Capital and Treasury Management), Frances Wykes (Principal Auditor)

1 Apologies for Absence and Substitutions

Apologies were received from Councillor George King, Councillor Rosie Smithson attended as substitute.

2 Declarations of Interest

There were no declarations of interest.

3 Capital Strategy 2024/25 to 2027/28

The Committee received report ES/1764 of Councillor Vince Langdon-Morris, Cabinet Member with Responsibility for Resources and Value for Money.

Councillor Langdon-Morris introduced the report, which provided a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services in East Suffolk, along with an overview of how associated risks were managed and the implications for

future financial sustainability. The Capital Strategy was a critical component for the delivery of the Council's ambitions in the Strategic Plan.

The Chair invited questions.

Councillor Lynch referred to the last year in the plan, 2027/28 and asked why spend for this year was greatly reduced compared to the previous years in the plan. The Specialist Accountant stated that the Capital Programme included schemes, such as the Towns Fund, where expenditure was restricted to a few years. This high expenditure will have finished by the last year in the Capital Strategy.

On the proposal of Councillor Lynch, seconded by Councillor Back, it was by a unanimous vote

RESOLVED

That having reviewed and commented upon the Capital Strategy 2024/25 to 2027/28, the committee recommends it to Full Council for approval.

4 Treasury Management Strategy Statement for 2024/25 & Treasury Management Investment Strategy for 2024/25

The Committee received report ES/1766 of Councillor Vince Langdon-Morris, Cabinet Member with Responsibility for Resources and Value for Money.

Councillor Langdon-Morris introduced the report, which set out the Council's Treasury Management Strategy for 2024/25 and the Treasury Management Investment Strategy for 2024/25. The report included details of the current the current treasury position, treasury indicators which limit the treasury risk and activities of the Council, prospects for interest rates, the borrowing strategy, and the investment strategy. The Council currently held £65.49m of loans and £123.89m of investments.

The Chair invited questions.

Councillor Gandy referred to the investment strategy and stated that the Council had agreed to move to a more ethical investment strategy which did not seem to be reflected in this document. Councillor Langdon-Morris stated that a new strategy was being developed which would provide reassurance regarding ethical procurement. Regarding ethical investment, the Specialist Accountant stated that the majority of the Council's investment was with other local authorities, and so ethical criteria were not applicable. As ethical investments became available they would be explored but the Council did not have any ethical funds available to it at present.

Councillor Lynch commented that in the next three years the Council would be increasing its borrowing from £148m to £304m. Has this borrowing been accounted for to ensure that the Council does not borrow beyond its means and potentially end up in the same situation as other authorities with high borrowing. Councillor Langdon-Morris stated that the need for this borrowing came from the previous Council's strategy, and that all borrowing had business cases and returns related to each line. In the next fortnight this would be assessed by the new administration. The borrowing was fully

integrated into the Council's budget, and if there were significant changes to the Capital Programme this would have to be carefully considered. The Specialist Accountant added that it had been planned that the Council would be borrowing for a number of capital projects.

The Chair asked if any of this borrowing would require cuts to be made in other areas in order to ensure the books were balanced. The Specialist Accountant stated that the Council did not borrow in advance of need, and borrowing would not be taken out now for future works. A project that was on the programme for a few years time may change, and this borrowing might not be required in the future. The plan was not set in stone and the Council would not be put at undue risk now for a future project.

Councillor Lynch referred to £80m of borrowing in 2026/27 and asked what projects was this for. The Specialist Accountant stated he would circulate this detail to the committee.

On the proposal of Councillor Reeves, seconded by Councillor Speca, it was by a unanimous vote

RESOLVED

That having reviewed and commented upon Treasury Management Strategy Statement and the Treasury Management Investment Strategy for 2024/25, the Committee recommends it to Full Council for approval.

5 Anti-Fraud and Corruption Strategy 2023

The Committee received report ES/1763 of Councillor Vince Langdon-Morris, Cabinet Member with Responsibility for Resources and Value for Money, and Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money. The purpose of the report was to provide a strategic overview of the updated Anti-Fraud and Corruption Strategy 2023 and the procedures to taken by the Corporate Fraud Service.

The Head of Internal Audit stated that this was a refreshed document, and that the Corporate Fraud Service was still compliant with best practice.

Councillor Lynch asked how this linked to the procurement strategy to address any possible fraud through procurement. The Head of Internal Audit stated this was the umbrella document which set the tone for how all services were delivered in the Council, including procurement. Should there be an anomaly in any department, the fraud team would provide assistance. Regarding procurement specifically, procurement procedures included checks to catch any anomalies, and any issues could be dealt with by the corporate fraud services.

Councillor Gandy asked how many incidents of fraud there had been where the team had to take action. The Head of Internal Audit commented that anomalies and queries regularly arose and the service dealt with these as appropriate. The committee would receive a report at their July meeting about work of the services throughout the year, both internally and externally with other agencies.

Councillor Langdon-Morris added that he was grateful for the internal audit team due to issues with external audit statements, and that this team could provide reassurance while external audit caught up.

On the proposal of Councillor Lynch, seconded by Councillor Thompson it was by a unanimous vote

RESOLVED

That Audit and Governance Committee comments upon and endorses the updated Anti-Fraud and Corruption Strategy 2023.

6 Corporate Risk Management Update

The Committee received report **ES/1765** of Councillor Vince Langdon-Morris, Cabinet Member with Responsibility for Resources and Value for Money, and Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money. The purpose of the report was to provide the Committee with an overview of how the Council's strategic and operational risks were managed and to provide an overview of identified risks and what actions were being taken to mitigate and control these risks.

The Chair invited questions.

Councillor Lynch asked whether the housing regulation breach risk should be amber. Councillor Lynch stated that he thought this should be red due to the overpayments, and the additional issue of insurance also in the housing area. The Strategic Director stated that he understood concerns about this risk. This has been reviewed in depth and there was now a full understanding of repayments required which had been budgeted for and allocated. The regulator was being updated monthly, and they were pleased with the progress being made. Prior to this being discharged there would be an external audit to ensure it had been dealt with properly. Regular reports were also made to cabinet on this issue. The Strategic Director stated that the risk was not the same as at the start as it was now fully known and the solutions were being implemented. This included included rent setting policies and repayment plans. Additional staff had also been employed to manage this.

Councillor Lynch asked if internal audit could consider this area. The Strategic Director stated that internal audit could consider this area if they wished. The regulator put in a requirement that an external audit to be done.

The Chair referred to mentions of asbestos management in our housing stock, and asked how this was progressing. The Head of Housing confirmed there had been significant progress on asbestos management, and Cabinet had received a report on this. Inspections were on target for housing, and inspections on communal asbestos were also up to date.

The Chair referred to the housing regulation breach and asked whether residents would now be refunded on overpayments. The Head of Housing confirmed that a number of refunds had been issued in December 2023 and more refunds were going

through on a daily basis. Refunds for those that were in receipt of benefits were starting this week, and those that had the highest amount due to them were being dealt with first.

Councillor Speca stated the current document managed the known risks very well but expressed concern that more unknown risks were not fully reflected. He asked if the document be expanded to prepare for things which might happen rather than things that we were dealing with, there should be some consideration of what the weaknesses of the council were, and what could happen that would impact this. Councillor Gandy agreed that some of the risks were much broader and vaguer than others, for example the cost of living, and asked if these could these be narrowed down or split to provide further clarity. The Head of Digital, Programme Management and Customer Services stated that the full corporate risk register may have the detail that Councillors required. The Council's leadership team did also have an annual horizon scanning meeting to discuss more unforeseen and potential risks.

The Chair thanked Councillors for concern and stated that there was only so much that could be done and capturing the future was very difficult and somewhat abstract. The Chair asked if the Committee could receive this report twice a year rather than annually, as this may answer some questions and provide greater reassurance.

Councillor Speca stated that there did need to be some consideration of risks that would arise from future changes so that the document was more dynamic going forward, for example risks arising from changes in government, risks from issues on the coast such as oil spills. The Head of Digital, Programme Management and Customer Services confirmed this was being considered by the Leadership Team, and the risk register had changed since this document had been prepared.

On the proposal of Councillor Gandy, seconded by Councillor Speca it was by a unanimous vote

RESOLVED

That the committee note on the corporate strategic risks from the Council's current Corporate Risk Register (CRR) which is governed and monitored by the Corporate Leadership Team (CLT).

7 Whistleblowing Policy

The Committee received report **ES/1767** of Councillor Vince Langdon-Morris, Cabinet Member with Responsibility for Resources and Value for Money, and Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money. The purpose of the report was to provide the Committee with the updated Whistleblowing Policy and to acknowledge the confidential protected disclosure procedures to be undertaken within the council when dealing with a "Whistleblower".

The Head of Internal Audit stated that the document was still compliant but had been modernised in terms of wording to ensure that everyone understood the policy and protections that were in place. Training for specialist whistleblowing staff was going to take place, and the policy would be promoted to all staff.

Councillor Lynch asked how does the policy managed issues which might arise with sub-contractors or external companies and how any issues which arose with these companies would be recorded. The Head of Internal Audit stated that staff could raise the issue internally, but according to law any issues had to be raised with the other company in accordance with that companies own processes. All concerns, internal or external would be registered by the team that managed whistleblowing and then assessed for how they should be dealt with. Issues were often raised that were not strictly whistleblowing, but they would be logged. The Head of Internal Audit stated that when the policy was promoted any potential issues with sub-contractors or external companies would be included.

On the proposal of Councillor Gandy, seconded by Councillor Speca and by a unanimous vote it was

RESOLVED

That having commented upon its contents, the Audit and Governance Committee approves the refreshed Whistleblowing Policy.

8 Exempt/Confidential Items

RESOLVED

That under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

9 Internal Audit Status of Actions: Update from Housing and Planning

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting concluded at 20.40pm

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Chair



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| Committee | Audit and Governance Committee |
| Date | 11/03/2024 |
| Subject | External Audit Update |
| Cabinet Member | Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money |
| Report Author(s) | Marie McKissock Interim Deputy Chief Finance Officer marie.mckissock@eastsoffolk.gov.uk |
| Head of Service | Lorraine Rogers Chief Finance Officer and Section 151 Officer lorraine.rogers@eastsoffolk.gov.uk |
| Director | Chris Bally Chief Executive chris.bally@eastsoffolk.gov.uk |

| | |
|-------------------------------|------|
| Key Decision? | No |
| Is the report Open or Exempt? | OPEN |

| | |
|---|-----|
| Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information. | N/A |
|---|-----|

Purpose/Summary

The Comptroller and Auditor General's Code of Audit Practice requires Ernst and Young LLP (EY) to report to this Committee on the work they have carried out in respect of East Suffolk Council. This report and related verbal updates at this meeting from Ernst & Young (EY), provides the Committee with an update on External Audit work including:

- A verbal update from EY to confirm the conclusion of the 2020/21 audit.
- An update on the proposed scale fee variation for 2020/21.
- To consider the Department for Levelling Up, Housing and Communities and National Audit Office's proposals in dealing with outstanding audits and receive a verbal update from EY on their plans for 2021/22 and 2022/23 in light of these consultations.
- Receive a verbal update on Value For Money work for 2021/22 and 2022/23.
- Note the Audit Plan for 2023/24 and receive a verbal introduction from the new audit partner.

Recommendation(s)

That the Audit & Governance Committee

1. Note the proposed scale fee for the 2020/21 audit.
2. Note Ernst & Young's plans for the audit of 2021/22 and 2022/23 in relation to the consultations from the Department for Levelling Up, Housing and Communities and National Audit Office's proposals in dealing with outstanding audits.
3. Note the progress on Value for Money work for 2021/22 and 2022/23.
4. Note the Audit Plan for the 2023/24 audit of accounts.

Strategic plan

How does this proposal support Our Direction 2028?

| | |
|------------------------------|---|
| Environmental Impact | The Council has committed to delivering positive climate, nature and environmental impacts through the decisions we make and the actions we take. The Council's external audit, and in particular the Value for money review, ensures where possible that environment and energy efficient processes, materials and equipment are used in the Council's spending plans. |
| Sustainable Housing | The external audit of the Council's statement of accounts and value for money review includes the General Fund and Housing Revenue Account. These ensure the accounts give a true and fair view of the Council's financial position and of its income and expenditure in supporting safe, suitable and sustainable homes. |
| Tackling Inequalities | A significant amount of the work done by the Council's dedicated officer cohort is aimed at supporting those most at need and in protecting vulnerable people. Teams such as Communities and Leisure, Housing, Environmental Health and Economic Development are committed to improving the quality of life across the district. |

| | |
|--|--|
| <p>Thriving Economy</p> | <p>The Council’s budget supports its priority in ensuring economic development and regeneration activity and in turn enabling residents of East Suffolk to benefit from and contribute to a thriving economy. The Council is committed to delivering a number of projects including regeneration programmes in Lowestoft, Leiston and Felixstowe by increasing the economic viability of the district’s towns, ensuring residents benefit from Nationally Significant Infrastructure Projects (NSIPs) and supporting responsible tourism and the visitor economy.</p> |
| <p>Our Foundations / governance of the organisation</p> | <p>External Audit is an annual independent examination designed to form an opinion on the state of the Council’s financial management and its published annual accounts. The external auditors provide assurance to residents and councillors that the Council’s finances are soundly managed, and the annual accounts present a true and fair view of the Council’s income and expenditure. They are also required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources as part of their Value for Money review.</p> <p>The Council adopted its ‘Our Direction 2028’ corporate strategy in November 2023. It is a clear articulation of the Council’s corporate priorities underpinned by financial sustainability and governance.</p> |

Justification for recommendations

1. Background

- 1.1. The Comptroller and Auditor General's Code of Audit Practice requires the Council's external auditors, Ernst and Young LLP (EY), to share and discuss their audit plan at an early stage. It also requires them to report to this Committee on the work they have carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities and identify any governance issues with the audited body.
- 1.2. EY completed their audit work in relation to the 2020/21 Statement of Accounts and issued their audit certificate on 18th December 2023, details of which can be seen in their 2020/21 Auditors Annual Report shown in Appendix A. This provided an unqualified opinion on the 2020/21 accounts stating, 'the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended'.
- 1.3. They did however highlight that significant weakness in governance arrangements had been identified in relation to the non-compliance with the rent standard in relation to the Council's Value for Money arrangements. Further details of this can be found in Appendix A.
- 1.4. Although the Audit for 2020/21 is now completed, this still leaves the 2021/22 and 2022/23 accounts unaudited. The Council is not alone in this delay, with the backlog of outstanding audit opinions in England standing at 771 as at 31 December 2023.

2. Introduction

- 2.1. This report provides an update to Committee on the work currently being undertaken by EY for the Council.
- 2.2. A verbal update will be provided by EY on the following:
 - Conclusion of the 2020/21 audit, along with the fee proposal (See Appendix B and Financial Considerations at section 4.1 below).
 - Plans for 2021/22 and 2022/23 in light of the Department for Levelling Up, Housing and Communities and the National Audit Office consultations. See section 3 for details of the consultations.
 - Value For Money work for 2021/22 and 2022/23.
 - Introduction from EY Partner David Riglar, due to take over from the 2023/24 audit onwards.
- 2.3. Appendix C details the audit plan for 2023/24.

3. Proposal

- 3.1. To clear the backlog of historical accounts and 'reset' the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the "backstop date") – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

- 3.2. The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.
- 3.3. The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. This is because, with a backstop in place for both local bodies and auditors, authorities would be required to publish audited accounts by 30 September 2024. The introduction of a backstop date is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.
- 3.4. The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.
- 3.5. Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion. System partners will consider guidance for auditors to remind them of these responsibilities. System partners will also issue communications that explain what the different types of modified opinions mean and that clarify that local bodies should not be unfairly judged based on modified opinions caused by the introduction of a backstop date that are largely beyond their control.
- 3.6. To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared and 'recover' the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) for financial years 2023/24 to 2027/28. As it is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, this measure is designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. This means there would also likely be modified or disclaimed audit opinions for several years.
- 3.7. Further details on the proposals can be found as follows:
<https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit>
- 3.8. In relation to these proposals there are currently two consultations:
- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts

- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

3.9. Further details on this consultation can be found at <https://consult.levellingup.gov.uk/local-audit-and-conduct/addressing-the-local-audit-backlog-in-england>. The consultations close on 7th March 2023.

3.10. The Council intends to reply to the consultation in support of the proposals in order to resolve the current issues of outstanding audits, as in all reality there is no other practical solution, but also expressing concern over how local authorities can be assured this situation will not arise again in the future. The Council will also seek clarification on how assurance will be given to opening balances in future years accounts and would like some explanation on the opinions and wordings that will be provided to Council's whose accounts have not been audited due to no fault of their own.

4. Financial Implications

4.1. In relation to the 2020/21 financial year, EY have proposed a fee variation which is attached as Appendix B. The fee variation proposed is £ £111,690 in addition to the base scale fee of £69,964. This gives a total revised fee of £181,654. EY have sent a copy of this proposed fee to Public Sector Audit Appointments (PSAA) who will determine the final fee payable. A more detailed breakdown of the proposed fee can be found in the attached letter, Appendix B.

5. Legal Implications

5.1. The Local Audit and Accountability Act 2014 made the Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. As part of this Act, EY have a duty to report to this Committee on the work they have carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities and identify any governance issues with the audited body as per the Comptroller and Auditor General's Code of Audit Practice.

6. Risk Implications

6.1. The Auditors work and subsequent reports seek to identify significant risks within the Council and highlight any areas of significant concern.

7. Options

7.1. This report is for information, providing an update on EY's work to date for 2021/22, 2022/23 and proposals for 2023/24 and consequently no other options have been considered.

8. Recommendations

8.1. That Audit & Governance Committee Notes:

- The proposed scale fee for the 2020-21 audit.
- Ernst & Young's plans for the audit of 2021/22 and 2022/23 in relation to the consultations from the Department for Levelling Up, Housing and Communities and National Audit Office's proposals in dealing with outstanding audits.
- The progress on Value for Money work for 2021/22 and 2022/23.

- The Audit Plan for the 2023/24 audit of accounts.

9. Reasons for Recommendations

- 9.1. To understand the current position of the Council in relation to outstanding audits and how these may be addressed, and to gain assurance that future year audits will be conducted as prescribed in the Audit Plan provided by EY.

10. Conclusions/Next Steps

- 10.1. The Council will await the conclusion of the audit fee for 2020-21 by PSAA, along with the consultation results from DLUHC and NAO and report back to this committee accordingly.

Areas of consideration comments

Section 151 Officer comments:

No additional comments.

Monitoring Officer comments:

No comments

Equality, Diversity and Inclusion/EQIA:

There are no direct implications arising from this report.

Safeguarding:

There are no direct implications arising from this report.

Crime and Disorder:

There are no direct implications arising from this report.

Corporate Services implications:

(i.e., Legal, Finance, Procurement, Human Resources, Digital, Customer Services, Asset Management)

There are no direct implications arising from this report.

Residents and Businesses consultation/consideration:

There are no direct implications arising from this report.

Appendices:

| | |
|-------------------|--|
| Appendix A | Auditors Annual Report 2020-21 Final |
| Appendix B | Additional Fee Letter to S151 and TCWC |
| Appendix C | Audit Plan 2023/24 |

Background reference papers:

None

A photograph of a modern, brightly lit interior space, likely a council chamber or meeting room. The room features a high ceiling with recessed lighting and a floor made of light-colored wood panels. The walls are primarily glass, reflecting the interior lights and the surrounding environment. The perspective is from a low angle, looking down a long, narrow corridor or meeting area.

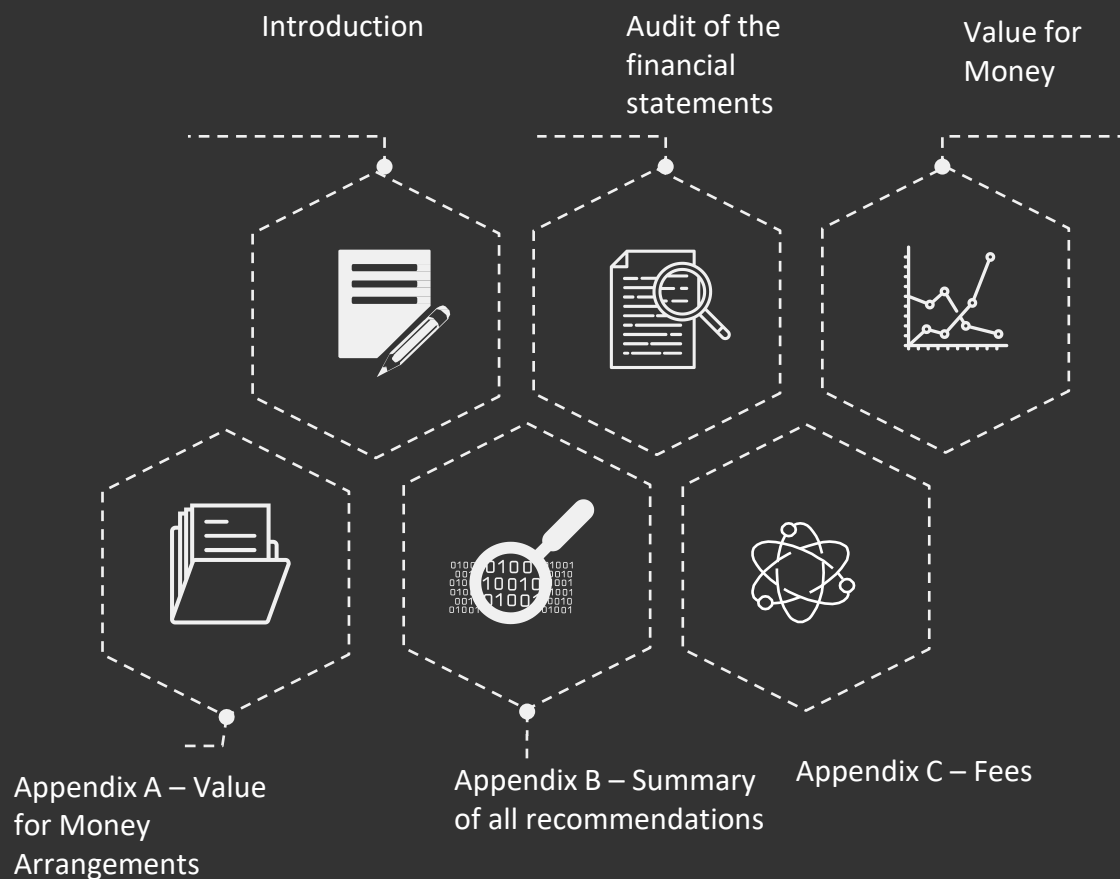
East Suffolk Council

Auditor's Annual Report

December 2023

Year ended 31 March 2021

Contents



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/audit-quality/statement-of-responsibilities/>). 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 Council and management of East Suffolk Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Council and management of East Suffolk 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 Council and management of East Suffolk 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.



Introduction

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued in September 2021. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the Annual Governance Statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2020/21 Conclusions

| | |
|--|---|
| Financial statements | Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. We issued our auditor’s report on 18 December 2023. |
| Going concern | We have concluded that the Finance Director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |
| Consistency of the other information published with the financial statement | Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts. |
| Value for money (VFM) | We have completed our consideration of the impact of the Council’s non compliance with the rent standard on our reporting in relation to the Council’s value for money arrangements and our audit report. We have concluded that the non compliance represents a significant weakness in governance arrangements in 2020/21, and are therefore reporting by exception details of the significant weakness in our auditor’s report. We have also included consideration of this in our VFM commentary within this report. |
| Consistency of the annual governance statement | We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council. |
| Public interest report and other auditor powers | We had no reason to use our auditor powers. |
| Whole of government accounts | Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the NAO. As the Council falls below the £2 billion threshold for review as per the NAO’s 2021/21 group instructions, we do not have to perform any detailed procedures. The NAO has also confirmed that they do not require any additional audit procedures to be undertaken on east Suffolk District Council. We will therefore issue our assurance statement alongside our audit opinion. |
| Certificate | We issued our certificate as part of our audit report. |



Audit of the financial statements

Key findings

The Narrative Statement and Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 18 December 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit and Governance Committee on 11 December 2023 through our updated Audit Result Report. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant/Fraud Risk

Conclusion

Misstatements due to fraud or error(Fraud risk)

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 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.

We did not identify any material weaknesses in controls or evidence of material management override. We did not identify 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.

Inappropriate capitalisation of revenue expenditure (Fraud risk)

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme

We did not identify any revenue items that have been inappropriately capitalised from our substantive testing.

Provision for non compliance with rent standard (Significant risk)

The Code defines a provision as a liability of uncertain timing or amount. A provision should be recognised when: the Council has a present obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made. There is a risk that the Council may not appropriately calculate the provision required in relation to the historic overcharging of rents due to non compliance with the rent standard

We are satisfied that a provision is required in relation to the rents that have been overcharged as the Council has a present obligation as a result of a past event and a reliable estimate of the liability can be calculated. We are satisfied that the resulting provisions of £3.757 million in 2020/21 and £3.357 million in 2019/20 are materially accurate and that the Council has made adequate disclosure of the issue in the financial statements and Annual Governance Statement. The resulting amendment to the prior year accounts has been subject to internal EY consultation which has confirmed that the amendment and associated disclosure are appropriate.



Audit of the financial statements

Areas of audit focus

Accounting for infrastructure assets

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code, these assets are held at depreciated historic cost. It has been identified that, whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulated depreciation are therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated. East Suffolk Council has material infrastructure assets of £57.9 million (gross book value) and £29.9 million (net book value) held on its balance sheet at 31 March 2021. There is therefore a risk that the gross book value and accumulated depreciation may be materially misstated

Valuation of land & buildings and investment properties

The valuation of land and buildings represent significant balances in the Council's accounts and is subject to valuation changes. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is therefore a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.

Property, plant and equipment (PPE) (of which land and buildings and dwellings represent the vast majority) and investment property are significant balances in the Council's accounts. As at 31 March 2021, PPE totals £376.4 million (2019/20: £362.3 million) and investment properties £5 million (2019/20: £2.9 million).

Pension liability valuation and disclosures

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. As per the draft accounts, this liability amounts to £84.3 million as at 31 March 2021, (2019/20: £52.9 million).

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

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

Conclusion

Our review of the records held and accounting entries focused on assets held within the Coast Protection and Harbour sub-categories, as these were the only categories of assets that were material and therefore the only categories that could contain a material overstatement.

Based on the work carried out, we obtained reasonable assurance that infrastructure assets are free from material misstatement and are appropriately recognised in the Council's accounts.

Our work on the valuation of land and buildings included performing procedures to assess whether we could place reliance on the Council's valuers, and reviewing assets not subject to valuation in 2020/21 to confirm that they were not materially misstated. We also engaged our valuations specialist to review a sample of asset valuations to verify the reasonableness of the valuation methodology applied and key assumptions used,

Based on the work carried out we did not identify any issues and our internal valuers and concluded that the valuations they reviewed were supportable and within the ranges calculated.

Our work on pensions included reviewing and agreeing the accounting entries and pension disclosures in the draft financial statements and assessing the work of the actuary. We also obtained assurances from the Pension Fund auditor in relation information provided to the actuary. The Pension fund auditor reported a difference of £0.6 million in the valuation of investment assets due to the actuary basing the figures in their report on estimated rather than actual year end values due to the timing of their report. The Council has not amended the accounts for this difference, which is not material.

We also engaged an EY Pensions specialist to review the actuary reports and run a parallel actuarial model to estimate the pension liability, which was compared to that produced by the Council's actuary. This did not identify any significant difference.



Audit of the financial statements

Areas of audit focus

Conclusion

Going concern disclosures

Covid has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. At the time of preparation of the 2020/21 financial statements, there was not a clear statement of financial support from MHCLG (now DLUHC) that covered all financial consequences of Covid-19. In addition, the auditing standard, International Auditing Standard 570 Going Concern, has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council is the audit of the 2020/21 financial statements. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that an Council's financial statements shall be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription.

However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

We reviewed and evaluated the Council's updated going concern disclosures within the financial statements and associated financial viability disclosures within the Narrative Statement. On this basis of this review, we are satisfied that there are no material uncertainties that require disclosure and that the Council's assessment and related disclosures are appropriate and cover a period to March 2025, which is more than 12 months from the date the accounts are authorised for issue.

Recognition of grant income associated with Covid-19

Central Government has provided a number of new and different Covid related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies. The Council needs to review each of these grants to establish how they should be accounted for. The Council needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the Council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.

To address this risk we identified the revenue and capital grants received by the Council and carried out testing to ensure the accounting treatment and recognition applied to grant income is appropriate, taking into account any conditions that would impact on their recognition. We also checked that the Council has adequately disclosed grant income received in the year
Our work did not identified any issues.

We identified a risk of significant weaknesses in the Council's VFM arrangements for 2020/21.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have concluded that the failure to take timely action when the non compliance was initially identified late in 2019 represents a significant weakness in governance arrangements in 2020/21.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Council which was based on a combination of our cumulative audit knowledge and experience, our review of Council reports, meetings with officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

Our risk assessment procedures identified a risk of significant weakness in relation to the Council's governance arrangements to respond to a non compliance with the rent standard between March 2020 and November 2021.

Having completed our procedures to respond to this risk, we have concluded that the failure to take timely action when the non compliance was initially identified represents a significant weakness in governance arrangements in 2020/21. We have therefore reported by exception details of the significant weakness in our auditor's report.

We have included detailed commentary on this matter on pages 9 to 11 of this report.

Our commentary for 2020/21 on the Council's overall arrangements is set out on pages 13 to 18 where also note how the significant weakness we have identified impact on the sub criteria. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2020/21.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria.

We identified a risk of significant weaknesses in the Council’s VFM arrangements for 2020/21.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have concluded that the failure to take timely action when the non compliance was initially identified late in 2019 represents a significant weakness in governance arrangements in 2020/21.

| Reporting criteria | Risks of significant weaknesses in arrangements identified? | Actual significant weaknesses in arrangements identified? |
|---|---|--|
| <p>Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services</p> | <p>No significant risks identified</p> | <p>No significant weaknesses identified</p> |
| <p>Governance: How the Council ensures that it makes informed decisions and properly manages its risks</p> | <p>We identified a significant risk in relation to the Council’s failure to take timely action in relation to non compliance with the rent standard between when it was initially identified and November 2021.</p> | <p>There were significant weaknesses in the governance arrangements within the Council, and in particular within the Housing Department, of East Suffolk Council during 2020/21.</p> <p>The weaknesses, in particular, relate to:</p> <ul style="list-style-type: none"> • Lack of adequate controls to ensure compliance with laws and regulations – specifically in relation to housing services • Lack of adequate governance and risk management procedures to ensure there was an adequate response when the non-compliance issue was identified • Lack of adequate governance arrangements to ensure appropriate communication of the issue with senior management and members as well as internal and external audit on a timely basis |
| <p>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</p> | <p>No significant risks identified</p> | <p>No significant weaknesses identified.</p> |

Significant weakness in governance arrangements – key findings:

In our view, there were significant weaknesses in the governance arrangements within the Council, and in particular within the Housing Department, of East Suffolk Council during 2020/21.

Our judgement on the nature of the weakness identified that:

- During 2019/20, the Council identified a possible breach of regulations relating to the conversion of rental charges on its social housing from social to affordable rents. The Council obtained legal advice on the matter, which it received in February 2020. This recommended that the Council self-referred to the Social Housing Regulator. At this point the Council wrote to the Ministry of Housing, Communities and Local Government (MHCLG). They did not receive a response from MHCLG and did not follow up on the issue until November 2021. Management did not inform internal or external audit of the issue until December 2021.
- No action was taken by the Council to progress the matter between March 2020 and November 2021.

We have concluded that there were significant weakness in the Council's governance arrangements, in particular within the housing department, in 2020/21. The weaknesses, in particular, relate to:

- Lack of adequate controls to ensure compliance with laws and regulations – specifically in relation to housing services
- Lack of adequate governance and risk management procedures to ensure there was an adequate response when the non-compliance issue was identified
- Lack of adequate governance arrangements to ensure appropriate communication of the issue with senior management and members as well as internal and external audit on a timely basis

The evidence on which our view is based includes:

- The legal advice obtained by the Council in February 2020 regarding the continued conversion of properties from social to affordable rents;
- The February 2022 report from external consultants on their review of the Council's approach to rent setting against the Regulator of Social Housing Rent Standard which was commissioned by the Council;
- Further legal advice obtained by the Council in March 2022 to provide a second opinion in relation to the regulatory compliance issues and also in relation to whether or not some of the charges that have been levied have been properly charged, whether as rent or service charges;
- The output from a forensic review of rent charges commissioned by the Council from external consultants to ensure that any overpayments were returned to affected tenants;
- The Council's calculation of the estimated provision required in relation to overcharged service charges included in the 2020/21 accounts based on the external consultants' forensic review; and
- The June 2023 report from the Governance Review of Housing Services which was commissioned by the Council.

The impact on the Council is set out below:

- An independent review, concluded in February 2022, confirmed that by continuing to convert rents from social to affordable rents above the level permitted by regulation, the Council had breached housing regulations. At this point, the Council self-referred to the Social Housing Regulator.
- The external consultants also identified incorrect inclusion of heating service charges in rents and a failure to comply with home consumer standards, in particular fire safety.
- As a result of the conversion and rent setting issues, rent had been overcharged for several years. Following further legal advice that confirmed the Council had a legal obligation to repay these overcharges, the Council reengaged the external consultants to undertake a detailed review of all tenancies going back to 2010/11 to identify the level of overcharge for each individual tenant
- Following the completion of this work the Council has taken action to remedy the situation and has made tenants aware of the issue and their right to repayment. In early 2022, they put in place a new compliance dashboard which will provide real-time recording, as well as an HRA Asset Management and Compliance Strategy. They also commissioned an external Governance Review of Housing Services which reported in June 2023.

Significant weakness in governance arrangements – Key findings (cont'd):

- Following the completion of this work the Council has taken action to remedy the situation and has made tenants aware of the issue and their right to repayment. In early 2022, they put in place a new compliance dashboard which will provide real-time recording, as well as an HRA Asset Management and Compliance Strategy. They also commissioned an external Governance Review of Housing Services which reported in June 2023.
- The Council have included a provision of £3.8 million in the 2020/21 financial statements for the repayments due to housing tenants in relation to overcharging of services charges. Comparator figures in the accounts have also been restated to reflect a provision of £3.6 million as at 31 March 2020.
- In addition, the Council has concluded that it has a constructive obligation to repay overcharged rent as a result of incorrect conversion and has included a provision of £4.17 million in its 2022/23 financial statements, along with £4.50 million in relation to overcharged service charges.

The weakness in arrangements exposed the Council to financial losses as a result of overcharging of rent and service charges. In addition, the Council incurred costs of around £300,000 in investigating the issue and quantifying the sums due for repayment. The Council was also exposed to reputational damage due to the failure to take appropriate and timely action when the incorrect rent conversion was initially identified as a potential issue in 2019/20 and then in February 2020 when the legal advice confirmed the non-compliance with the rent standard due to the rent conversions. The failure to comply with home consumer standards is also a reputational risk for the Council and this also has financial implications.

We recommend that the Council:

- Implement the recommendations from the external review of the governance arrangements in the housing department as a priority
- Put appropriate governance arrangements in place to ensure that any suspected non-compliance with regulations in any department are reported to senior management and an appropriate Committee of the Council as well as internal and external audit on a timely basis
- Put appropriate governance arrangements in place to ensure any risks related to suspected non-compliance with regulations are included in the Service or Corporate risk register in a timely manner and that any action plans to address any non-compliance are progressed in a timely manner

Management response

When the Council identified it believed it was non-compliant with the RSH Rent Standard it immediately commissioned a significant forensic audit. This was to ensure a robust and in-depth review of every tenancy record held from 2010 to present day was checked for any overcharging or erroneous service charges, which may have been levied. A Rents Development Group was created in the Summer of 2022. The Group developed the first Rent and Service Charge Policy for the Council which was approved by Cabinet on 7 March 2023. The group will oversee the rent refund programme and will review the annual rent setting process, ensuring an annual sample audit is conducted by external specialists, who specialise in rent regulation.

With the Council's self-referral letter to the Regulator of Social Housing (RSH), the Council committed to an independent governance review which was reported to the Audit & Governance Committee on 10 July 2023, along with a management response to the review recommendations which have been accepted and actioned (or are in the process of being actioned) so that best practice and good governance arrangements are in place moving forward to support decision making and to help identify, manage, mitigate and monitor risks. The Council has taken significant steps to address the shortcomings identified in the review and to prevent recurrence. Corporate Leadership Team (CLT) meetings have agenda items with specific focus on key areas, which includes Governance and Risk. Minutes are taken of CLT meetings and actions are followed up. Where the work of internal audit identifies high level risks these are considered and incorporated into the Corporate Risk Register. The Chief Executive also convenes quarterly 'golden triangle' meetings of the Chief Executive, Section 151 Officer and Monitoring Officer. A Constitution Review Working Group was established in July 2023 and a review of the Constitution is in progress. Governance training will be prepared and delivered on the revised Constitution to elected Members, existing staff, with a focus on the Corporate Leadership Team.

Appendices



Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The finance team works with service areas throughout the year to collate information on financial pressures for consideration in the annual budget and MTFS. Each year the Finance team prepares a budget for the budget year, and the Medium Term Financial Strategy (MTFS) which sets out indicative budgets for three further years. The MTFS includes assumptions about all known expenditure and income over that period. This is taken to Full Council in February each year for approval. The Council prepares a capital strategy alongside the revenue budget for the same time period, with the revenue implications of the capital strategy included within the revenue budget.

The 2020/21 Budget was reported to Full Council on 26 February 2020. The 2021/22 Budget was reported to Full Council on 24 February 2022. The financial implications from Covid were significant in 2020/21 and became the main focus of the MTFS planning in 2020/21. A report on the financial implications of Covid was reported to Cabinet on 21 July 2020 which included an updated forecast on the budget gap over the MTFS period. An MTFS update was prepared in the Autumn of 2020 and reported to Cabinet on 1 December 2020 and Scrutiny on 17 December 2020 and confirmed on 10 February 2021. All relevant reports to Council, Cabinet and other Committees have financial implications identified and the links to the Financial Sustainability theme of the East Suffolk Strategic Plan is outlined.

How the body plans to bridge its funding gaps and identifies achievable savings

The latest MTFS (2021/22-2024/25) that was presented on 5 January 2021 shows that although the Council has been able to bridge the gap for the years 2020/21 and 2021/22, there is still a budget gap for the years 2022/23 onwards which needs to be addressed. The 2020/21 Budget reported to Full Council on 26 February 2021, noted that the use of reserves was planned to bridge a funding gap for 2020/21. An updated General Fund Budget and Council Tax Report 2022/23 dated 1 February 2022 showed that the 2022/23 Budget Gap had closed and showed a surplus position from 2023/24 up to 2025/26. For 2020/21 the Council's General Fund realised a surplus year end position of £1.107 million as noted in the Outturn Report 2020/21 dated 13 July 2021. The Council's objective is always to have a balanced budget in each of the next two financial years when the budget is approved in the February of each year, to demonstrate that the Surplus Savings Reserve provides sufficient headroom to manage funding gaps.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The finance team works with service areas throughout the year to collate information on financial pressures for consideration in the annual budget and MTFS. All relevant reports to Council, Cabinet, and Committees have their financial implications identified and the links to the Financial Sustainability theme of the East Suffolk Strategic Plan is outlined.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The MTFs is complied in conjunction with the capital programme and the East Suffolk Strategic Plan. The finance team works with service areas throughout the year to collate information on financial pressures for consideration in the annual budget and MTFs. All relevant reports to Council, Cabinet, and Committees have their financial implications identified and the links to the Financial Sustainability theme of the East Suffolk Strategic Plan is outlined. The Council has a Corporate Governance Group. Membership of the Corporate Governance Group is those officers that hold statutory roles within the Council, such as Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of finances and issues related to governing business e.g. value for money / Medium Term Financial Strategy (MTFS) etc.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Budget reports to the full Council identifies risk, their impact, probability and mitigating action. The budget to the Full Council in February also includes the CFO's report. This report includes a financial risk assessment of key areas and a sensitivity analysis of budget assumptions.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Budget and MTFS are continuously monitored and updated. The Council has a Corporate Governance Group. Membership of the Corporate Governance Group is for those officers that hold statutory roles within the Council, such as Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of finances and issues related to governing business e.g. value for money / Medium Term Financial Strategy (MTFS) etc. The East Suffolk Annual Report contains the KPI's reported and monitored internally on a quarterly basis. The annual report sets out performance against the Council's Strategic Plan.

We concluded that the failure to take timely and appropriate action in relation to the housing rent non compliance noted on pages 9 and 10, represents a significant weakness in governance arrangements, in particular within the Housing Department, during 2020/21. Specifically, we identified a weakness in relation to how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

How the body approaches and carries out its annual budget setting process

The Finance team works with service areas throughout the year. This information is collated and incorporated into the MTFS. A draft MTFS is reported to Cabinet and the Scrutiny Committee in the Autumn, providing Scrutiny with the opportunity to challenge assumptions. Following the reporting of the draft MTFS, the Budget Report for the following financial year is reported to Cabinet and Scrutiny (January/February) and then Full Council in February.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The council follows the Financial Procedure Rules as per the Constitution. Service area financial management reports are available on the Council's intranet which are updated daily. The Finance team have in place a detailed year end closedown plan for the year end closure of the Accounts. Year end timetables are communicated to SMT and relevant Officers of the Council.

The Council has a Corporate Governance Group. Membership of the Corporate Governance Group is those officers that hold statutory roles within the Council, such as Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of finances and issues related to governing business e.g. value for money / Medium Term Financial Strategy (MTFS).

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Council has a Corporate Governance Group. Membership of the Corporate Governance Group is those officers that hold statutory roles within the Council, such as Head of Paid Service, Monitoring Officer, Section 151 Officer and Head of Internal Audit. The group met regularly to discuss management of:

- finances and governing business (value for money / Medium Term Financial Strategy (MTFS) and budget setting /risk management/internal audit/ ethical issues/ business continuity);
- resources (workforce planning / recruitment monitoring / absences / health & safety / asset management); and
- performance (inspections / business plan / service plans / partnerships / measuring performance / emerging issues).

We concluded that the failure to take timely and appropriate action in relation to the housing rent non compliance noted on pages 9 and 10, represents a significant weakness in governance arrangements, in particular within the Housing Department, during 2020/21. Specifically, we identified a weakness in relation to how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Protocols and Codes of Conduct reviewed as part of the new Constitution for ESC, and kept under review. Training about ethical standards is provided to Councillors at time of election, as part of induction programme, with follow up training as required, either as part of a regular update, or specifically following a complaint, if required. Councillor declarations of interest had been completed by new councillors and are updated annually. Regular reminders about standards are issued to staff within bulletins and team meetings. Declarations of interests, gifts and hospitality are made and monitored by the Audit and Governance Committees. However based on our initial work performed and enquiries made with management, we have identified a significant risk in relation to the Council's non compliance with the rent standard and how this issue has been dealt with since it was initially identified.

We concluded that the failure to take timely and appropriate action in relation to the housing rent non compliance noted on pages 9 and 10, represents a significant weakness in governance arrangements, in particular within the Housing Department, during 2020/21. Specifically, we identified a weakness in relation to how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

| Reporting Sub-Criteria | Findings |
|---|--|
| How financial and performance information has been used to assess performance to identify areas for improvement | The East Suffolk Annual Report contains the KPI's reported and monitored internally on a quarterly basis. The annual report sets out performance against the Council's Strategic Plan. |
| How the body evaluates the services it provides to assess performance and identify areas for improvement | The East Suffolk Annual Report contains the KPI's reported and monitored internally on a quarterly basis. The annual report sets out performance against the Council's Strategic Plan. |
| How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve | The Council works in partnership wherever possible to gain synergies of working together with other organisations and local authorities. Full review of the leisure contract with Sentinel Leisure Trust and a procurement exercise was put in place to reduce the financial risk to the council of Leisure contracts. The contract with Sentinel Leisure Partnership ceased and a full procurement process has taken place. Everyone Active has been appointed as the successful bidder, and the contract term commenced in January 2021. A major review has started of the contract and services provided by Norse. Norse Partnership Board meetings are held quarterly. In 2021/22 Governance Meetings with Norse have also been established. |
| How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits | Procurement process are set out in the Constitution. In the Summer of 2020, a motion was raised at a meeting of East Suffolk's Full Council regarding how the authority procures goods, works and services. A Task and Finish Group on Procurement was established. The recommendations of the Group was reported to Cabinet in July 2021. In July 2021 the Council commissioned work from the East of England LGA to carry out a review of procurement processes. The Council is awaiting the EELGA results before finalising the Procurement Strategy. |

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2020/21. All recommendations have been agreed by management.

| Issue | Recommendation | Management Response |
|--|---|---|
| <p>There were significant weaknesses in the governance arrangements within the Council, and in particular within the Housing Department, of East Suffolk Council during 2020/21.</p> <p>The weaknesses, in particular, relate to:</p> <ul style="list-style-type: none"> • Lack of adequate controls to ensure compliance with laws and regulations – specifically in relation to housing services • Lack of adequate governance and risk management procedures to ensure there was an adequate response when the non-compliance issue was identified • Lack of adequate governance arrangements to ensure appropriate communication of the issue with senior management and members as well as internal and external audit on a timely basis | <p>Implement the recommendations from the external review of the governance arrangements in the housing department as a priority</p> <p>Put appropriate governance arrangements in place to ensure that any suspected non-compliance with regulations in any department are reported to senior management and an appropriate Committee of the Council as well as internal and external audit on a timely basis</p> <p>Put appropriate governance arrangements in place to ensure any risks related to suspected non-compliance with regulations are included in the Service or Corporate risk register in a timely manner and that any action plans to address any non-compliance are progressed in a timely manner</p> | <p>When the Council identified it believed it was non-compliant with the RSH Rent Standard it immediately commissioned a significant forensic audit. This was to ensure a robust and in-depth review of every tenancy record held from 2010 to present day was checked for any overcharging or erroneous service charges, which may have been levied. A Rents Development Group was created in the Summer of 2022. The Group developed the first Rent and Service Charge Policy for the Council which was approved by Cabinet on 7 March 2023. The group will oversee the rent refund programme and will review the annual rent setting process, ensuring an annual sample audit is conducted by external specialists, who specialise in rent regulation.</p> <p>With the Council’s self-referral letter to the Regulator of Social Housing (RSH), the Council committed to an independent governance review which was reported to the Audit & Governance Committee on 10 July 2023, along with a management response to the review recommendations which have been accepted and actioned (or are in the process of being actioned) so that best practice and good governance arrangements are in place moving forward to support decision making and to help identify, manage, mitigate and monitor risks. The Council has taken significant steps to address the shortcomings identified in the review and to prevent recurrence. Corporate Leadership Team (CLT) meetings have agenda items with specific focus on key areas, which includes Governance and Risk. Minutes are taken of CLT meetings and actions are followed up. Where the work of internal audit identifies high level risks these are considered and incorporated into the Corporate Risk Register. The Chief Executive also convenes quarterly ‘golden triangle’ meetings of the Chief Executive, Section 151 Officer and Monitoring Officer. A Constitution Review Working Group was established in July 2023 and a review of the Constitution is in progress. Governance training will be prepared and delivered on the revised Constitution to elected Members, existing staff, with a focus on the Corporate Leadership Team.</p> |

Appendix C – Fees

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2020 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. We carried out our audit of the Council's financial statements in line with PSAA's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

| Audit Fees | Final Proposed Fee 2020/21 | Planned fee 2020/21 | Final Fee 2019/20 |
|--|-------------------------------|------------------------|----------------------|
| | £ | £ | £ |
| Scale fee - Code work | 65,640 | 65,640 | 69,964 |
| Changes in work required to address professional and regulatory requirements & scope changes associated with risk - Note 1 | TBC | 39,360 | - |
| Additional fee agreed in 2019/20 - Note 1 | - | - | 33,136 |
| Additional work required in 2020/21 - Note 2 | TBC | TBC | - |
| Additional work required due to changes in auditing standards for estimates - Note 3 | TBC | 2,500 | - |
| Additional work required due to change in scope of VFM work - Note 3 | TBC | 6,000-11,000 | - |
| Non-audit Fee - Housing subsidy claim | TBC | TBC | 25,935 |
| Total Audit Fees | TBC | TBC | 129,035 |

All fees exclude VAT

Note 1: For 2019/20 and 2020/21, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors including changes in risk profile of the audit and increases in regulatory standards. Further detail on this proposed increase was included in our previous reports to the Committee. We have proposed an increase of £39,360 to the scale fee to reflect these additional requirements and have shared details of the breakdown with management. For 2019/20, we also proposed an additional fee of £24,036, as detailed in our 2019/20 Annual Audit Letter. This reflected the increased audit work required in regard to: valuations of land and buildings and investment properties; the group accounts as well as the fact that 2019/20 was the first year of existence of East Suffolk Council; the impact of Covid-19 on a number of areas included the bad debt provision, going concern disclosures, and the material uncertainty in the property valuer's report. PSAA have determined an overall additional fee of £33,136 for 2019/20.

Note 2: For 2020/21, the additional fee will be quantified after completion of audit and will be discussed with the management before submission to PSAA. PSAA will determine the final fee. There will be a significant additional fee as a result of the rent setting issue which has impacted on both our opinion and value for money work.

Note 3: PSAA published additional information for 2020/21 audit fees in August 2021, whereby PSAA provided guidance about the range of minimum additional fee in certain areas of audit. The figures above are the ranges or minimum fee set by PSAA. PSAA also revised its hourly rates for calculating the additional fee variations.

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Lorraine Rogers
S151 Officer

20 February 2024

Audit Committee Members

East Suffolk District Council

Dear Lorraine and Committee Members

Proposed audit fees for the 2020/21 audit of East Suffolk District Council

We are writing to you to provide an update on the proposed final fee following the completion of the audit of the Council's audit for the year ended 31 March 2021.

As noted in our Audit Results Report and Auditor's Annual Report, for 2019/20 and 2020/21, we have proposed an increase to the base scale fee to reflect the increased level of audit work required which has been impacted by a range of factors including changes in risk profile of the audit and increases in regulatory standards. We have proposed an increase of £49,206 (previous year £39,360) to the base scale fee to reflect these additional requirements and have previously shared details of the breakdown with management. This increase to the base scale fee reflects the fact that the Council prepares group accounts as well as additional work on pensions and property, plant and equipment, and responses to increased FRC challenge.

In addition to the base fee increases noted above, specific in year risk issues impacted on the 2020/21 audit, resulting in additional audit work. We are therefore proposing a scale fee increased in relation to this additional work. The main issue for 2020/21 related to the Council's non-compliance with the rent standard which significantly impacted on both the audit of the Council's 2020/21 accounts and our value for money work, as set out below:

- In relation to value for money arrangements, we concluded that the non-compliance represents a significant weakness in governance arrangements in 2020/21, and therefore reported by exception details of the significant weakness in our auditor's report. We also included consideration of this in our VFM commentary. The modifications to our audit report and VFM commentary was subject to EY consultation. This also required a referral for non-compliance with laws and regulations (NOCLAR) to be made which was also subject to consultation and required the use of EY specialists to consider whether there was any evidence of fraud or corruption.
- In relation to the accounts, the accounts were amended to include a provision in relation to the rents that have been overcharged. The resulting provisions of £3.757 million in 2020/21 and £3.357 million in 2019/20 were material and therefore required amendment in both the 2020/21 and 2019/20 accounts. Additional work was also required to confirm the basis and material accuracy of the provision. The amendment to the prior year accounts was also subject to internal EY consultation and required support from EY technical accounting specialist.

The total additional fee we are proposing to reflect the additional work to address these issues is £28,521 for the VFM work (this includes the £11,000 proposed by PSAA as the minimum additional fee required in relation to work to address the new VFM requirements of the NAO Code, excluding any work

to address risks of significant weakness) and £12,507 in relation to the work on the provision as well as updated disclosures related to this in the Council's accounts and AGS.

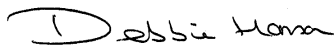
Other areas which resulted in additional work in 2020/21, which were reported the Audit Results Report and Auditor's Annual Report included:

- Work to ensure correct accounting for Covid grant income – £6,002
- Work in response to risk of inappropriate capitalisation of revenue spend - £4,615
- Work to consider the Council's treatment of infrastructure assets (which are material for the Council) following the identification of a national issue relating to this and consideration of the impact of Covid on the Council's going concern assessment and disclosures - £8,340
- Additional work on estimates to address new requirements of ISA540 (in line with minimum level recommended by PSAA) - £2,499

This results in an overall proposed fee of £181,654 (£69,964 scale fee and £111,690 scale fee variation).

We have provided the Section 151 officer with further details of the additional work and fees outlined above and have submitted our proposals to PSAA for their determination.

Yours sincerely



Debbie Hanson
Audit Partner
Ernst & Young LLP

East Suffolk Council

Audit Planning Report

Year ended 31 March 2024

26 February 2024





Audit and Governance Committee
East Suffolk Council
East Suffolk House
Station Road
Melton
Woodbridge
IP12 1RT

26 February 2024

Dear Audit and Governance Committee Members

Audit planning report Year ended 31 March 2024

Attached is our Audit Planning Report for the forthcoming meeting of the Audit and Governance Committee. The purpose of this report is provide the Audit and Governance Committee of East Suffolk Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely 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 to addressing the audit backlog.

(continued)

The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. 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.

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

This report is intended solely for the information and use of the Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 11 March 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

David Riglar

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

This report is made solely to the Audit and Governance Committee and management of East Suffolk Council. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of East Suffolk Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of East Suffolk 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

Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

Context for the 2023/24 audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited accounts by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable 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 30 September 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.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- DLUHC has launched consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic accounts and for the financial years 2023/24 to 2027/28.
- The National Audit Office (NAO) has launched consultation on amending the Code of Audit Practice to :
 - Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to issue a consultation on temporary changes to the accounting code for preparation of the accounts. The proposed temporary changes to the financial reporting framework have an impact on both how the accounts are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates it is likely that we will disclaim the Council's 2021/22 and 2022/23 accounts. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit and Governance Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



Overview of our 2023/24 audit strategy

Responsibilities of Council/ 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 Council's Section 151 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 2024. 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 Council resources are readily available to support the audit process, within agreed deadlines. The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council'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 Council'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 Council 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 together with paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Overview of our 2023/24 audit strategy

The following ‘dashboard’ summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

| Risk/ area of focus | Risk identified | Change from 2020/21 audit | Details |
|--|-----------------|----------------------------|--|
| Misstatement due to fraud or error | 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. |
| Inappropriate capitalisation of revenue expenditure | 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. |
| Pension Valuation | Inherent risk | No change in risk or focus | The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. 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. |
| Property, Plant & Equipment (PPE) and Investment Property (IP) Valuation | Inherent risk | No change in risk or focus | The valuation of land and buildings included in the financial statements is complex and often includes a number of assumptions and judgements. Enhanced procedures are required to challenge and evaluate key inputs and assumptions. |

Overview of our 2023/24 audit strategy

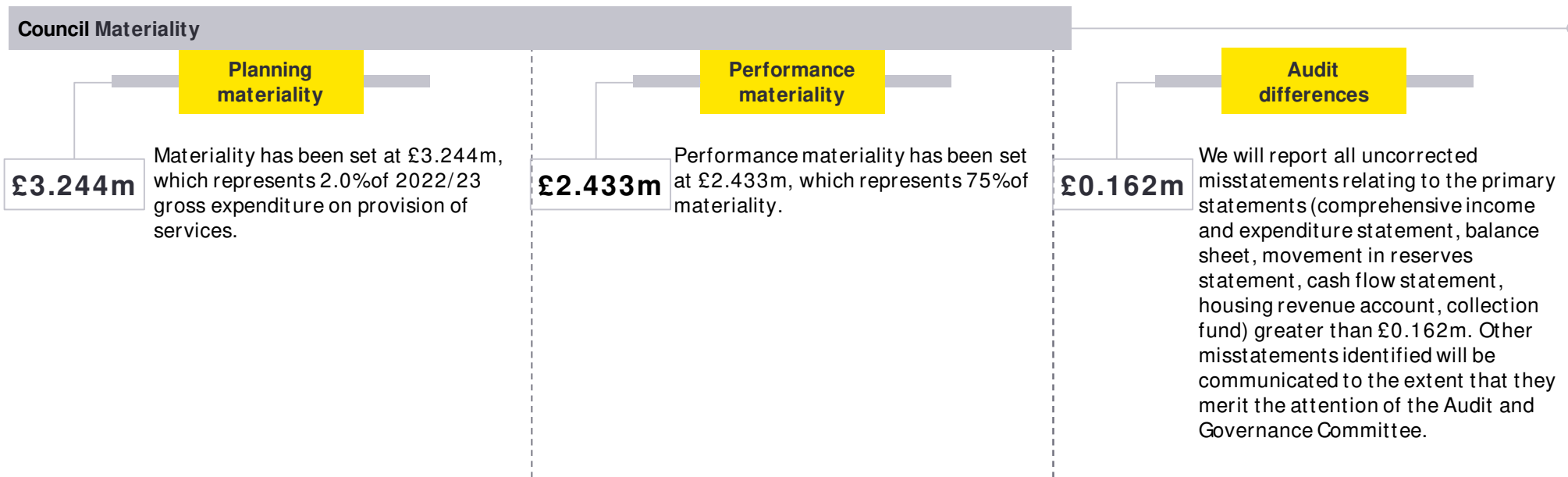
The following ‘dashboard’ summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

| Risk/ area of focus | Risk identified | Change from 2020/21 audit | Details |
|--|-----------------|---------------------------|---|
| Full group accounts will be prepared in 2023/24 due to East Suffolk Services Ltd (ESSL) becoming more material to the group. | Inherent risk | New risk | <p>This subsidiary (ESSL) was incorporated in March 2022, and was formed to take over operations from the Norse Joint Venture. This occurred from the 1st July 2023. As a result ESSL's activity has become material to the group during 2023/24.</p> <p>We have assessed the risk is most likely to occur through the inaccurate or incomplete consolidation adjustments and group disclosures.</p> |
| General Ledger system upgrade and a data migration from a local server to a hosted cloud solution | Area of focus | New risk | <p>The Council has introduced changes to their main financial system during 2023/24. The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts.</p> <p>We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new server resulting in materially incorrect records and entries in the financial statements.</p> |

The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2021/22 and 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.

Overview of our 2023/24 audit strategy



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2021/22 and 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.

Group consideration

Group accounts will be prepared in 2023/24 as East Suffolk Services Ltd (ESSL) became operational from 1st July 2023, and is material to the group.

As this is the first year of East Suffolk Services Ltd (ESSL) operating and engaging an external auditor. It is too early in the audit process to determine an appropriate planning materiality, audit scope and strategy for the group.

We will update the Audit and Governance Committee in a later meeting on the outcome of our group planning procedures. We have raised an inherent risk concerning first year preparation of full group accounts (see slides 9 and 19).



Overview of our 2023/24 audit strategy

Audit scope

This Audit Planning Report covers the work that we plan to perform to provide you with:

- ▶ 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 2024 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 3.

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.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit Planning Report and we will continue to discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit and Governance Committee where necessary to do so.

Overview of our 2024 audit strategy

Value for Money

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

Planning on value for money 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 prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's 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.

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

Timeline

A timetable will be agreed with management to complete the audit by 30 November 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

Key Audit Partner and senior audit team



Engagement Partner (David Riglar)

The Engagement Partner has overall responsibility for:

- ▶ The audit and its performance
- ▶ The auditor's report that is issued on behalf of EY
- ▶ The overall quality of the audit



Manager (Tyler Gohegan)

The Manager has responsibility for management of the audit and ensuring that it is adequately resourced to meet both its time and budget constraints. They will also support the individual engagement team members to complete timely high quality audit fieldwork.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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) 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 will we do?

We will:

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
- ▶ Discuss 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).
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determine an appropriate strategy to address those identified risks of fraud.
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Undertake procedures to identify significant unusual transactions.
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

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.

What will we do?

- ▶ Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do expect there to be material REFCUS in the year.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/ area of focus, and the key judgements and estimates?

Pension Valuation (inherent risk)

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

The Council's pension valuation is a material estimated balance and the Code requires that this is disclosed on the Council's balance sheet. At 31 March 2023 this showed a net position of £0 million, comprising the present value of the defined benefit obligation (£248 million), the fair value of plan assets £294 million, and the effect of the asset ceiling (£46 million).

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

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

Our response: Key areas of challenge and professional judgement

We will:

- Liaise with the auditors of Suffolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- Assess the work of the pension fund actuary, Hymans Robertson, including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/ area of focus, and the key judgements and estimates?

Property, Plant & Equipment (PPE) and Investment Property (IP) Valuation (inherent risk)

The fair value of Property, Plant and Equipment (PPE) land and buildings and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting. The Council's IP and surplus property is subject to annual revaluation, while its operational PPE is valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

Our response: Key areas of challenge and professional judgement

We will:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

What else will we do?

We will continue to consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Real Estates.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/ area of focus, and the key judgements and estimates?

Preparation of Group Accounts (inherent risk)

The Local Authority Accounting Code of Practice requires the Council to prepare group accounts and supporting disclosures within its financial statements when the group operations become material to the Council.

This is the first year the Council is consolidating East Suffolk Services Ltd and preparing full group accounts, including group disclosures.

We have assessed the risk is most likely to occur through the inaccurate or incomplete consolidation adjustments and group disclosures, resulting in materially incorrect records and entries in the financial statements.

Our response: Key areas of challenge and professional judgement

We will:

- Assess the level of involvement with Ensors, the component auditor to East Suffolk Services Ltd .
- Make enquiries to understand their competence, independence and services being offered to the group.
- Provide group reporting instructions to Ensors and perform a file review of their audit work to ensure this can be relied on.
- Assess and review the procedures in place to prepare consolidated group financial statements; and
- Test the transactions performed as part of the consolidation and review the presentation of required disclosures.

What else will we do?

We will consider outturn information available at the time we undertake our yearend work after production of the Council's draft financial statements, for example the final yearend actual figures from the audited subsidiary accounts.

We will use this to inform our assessment of the material accuracy and completeness of the group accounts and disclosures included in the financial statements and whether any adjustments are required.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/ area of focus, and the key judgements and estimates?

General Ledger system upgrade and server migration (Area of focus)

The Council has introduced changes to their main financial system during 2023/24.

Navision was upgraded to Business Central in March 2023. There was also a migration of data from a local SQL server to a hosted cloud solution provided by their support partner, Columbus UK.

The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts. Therefore this is highly material.

We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new server resulting in materially incorrect records and entries in the financial statements.

Our response: Key areas of challenge and professional judgement

We will:

- Review the full project plan that was in place for appropriateness.
- Review the Council's internal validation checks alongside any other accuracy and completeness checks performed over the data migration.
- Obtain and consider the latest Internal Audit Report review of the system upgrade and data migration process to identify if there were exceptions that we should consider in our approach.
- Perform enquiries to fully understand and assess the upgrade and data migration process for reasonableness.
- Perform our own further reconciliation checks over the data transferred to obtain assurances as to the completeness and accuracy of the data transfer where deemed necessary.

What else will we do?

We will continue to consider the need to use EY Financial Audit and IT to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Financial Audit and IT.



03 Value for Money risks

Value for Money

Council responsibilities for value for money

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.

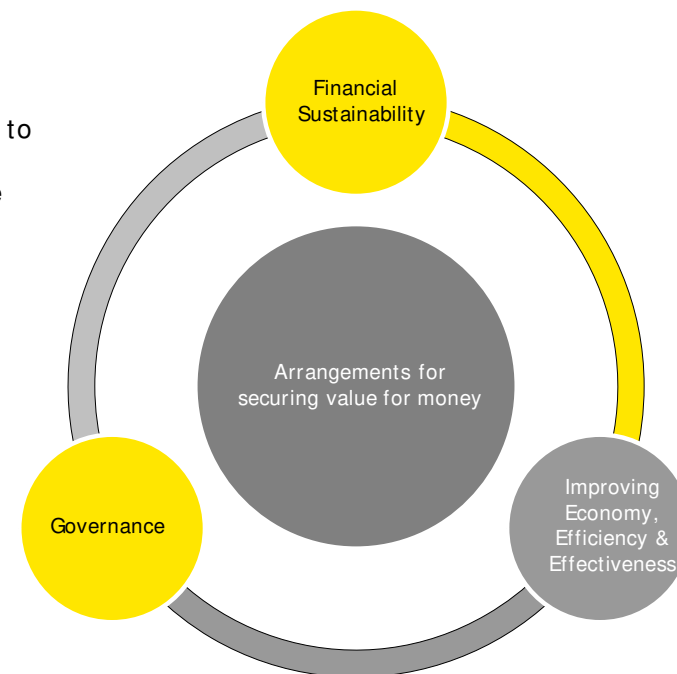
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ 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.
- ▶ 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.



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- ▶ Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to – or could reasonably be expected to lead to – unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Governance Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus is likely to continue to be on the arrangements that the Council has in place in relation to financial sustainability.

We will update the Audit and Governance Committee in a later meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



04 Audit materiality

Materiality

Council materiality

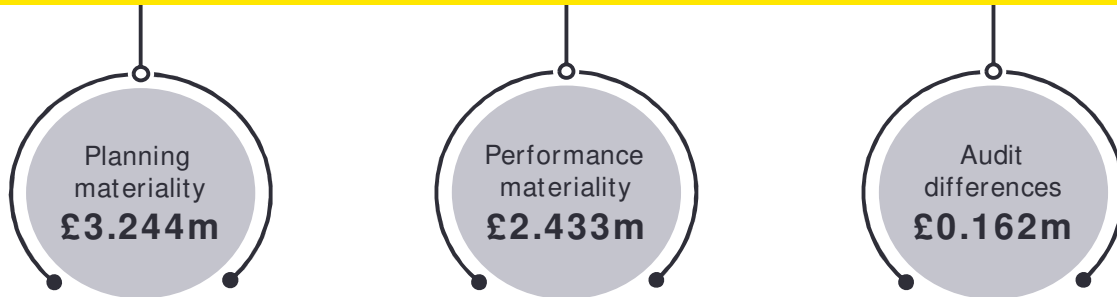
For planning purposes, materiality for 2023/24 has been set at £3.244 million. This represents 2.0% of the Council's 2022/23 gross expenditure on provision of services. It will be reassessed throughout the audit process.

The Council is a public sector body and the main function of the entity is to provide services to the local community. For a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and as such the income statement is considered the most appropriate basis for determining materiality for public sector bodies.

We have provided supplemental information about audit materiality in Appendix F.

Gross expenditure on provision of services

£162.219 Million



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2021/22 and 2022/23 financial statements may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality —the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality —the amount we use to determine the extent of our audit procedures.

We have set our performance materiality at **£2.433m** which represents 75% of our planning materiality. We have considered the factors of having a higher likelihood of material misstatements based on prior year adjustments.

Per our initial assessment, we do not believe there are errors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas. We have therefore used a higher end or 75% of our Planning Materiality as our Performance Materiality.

Audit difference threshold —we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.

Component performance materiality range —we determine component performance materiality as a percentage of Group performance materiality based on the risk and relative size to the Group.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit and Governance Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- ▶ Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Group scoping

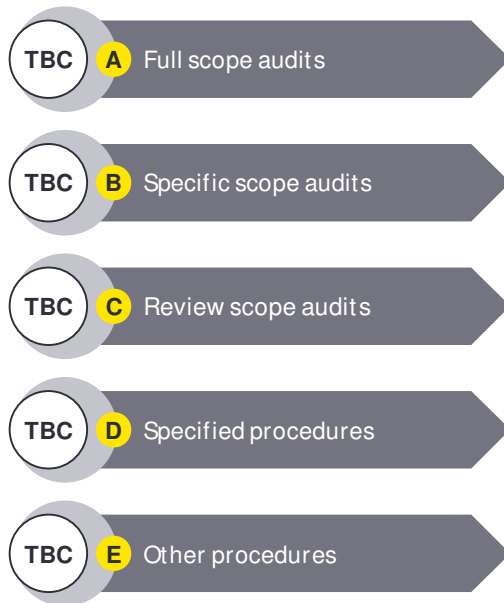
Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.



Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

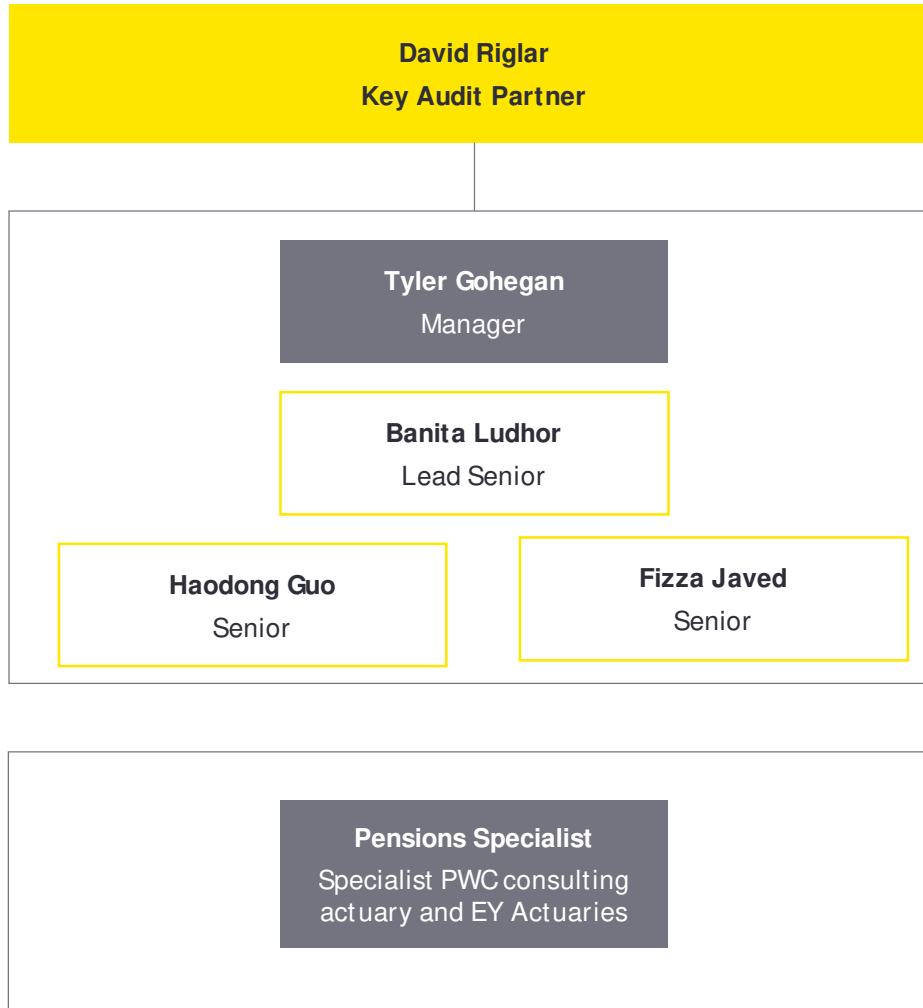
Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

As reported on page 10, it is too early in the audit process to determine an appropriate planning materiality, audit scope and strategy for the group. We will update the Audit and Governance Committee in a later meeting on the outcome of our group planning procedures.



06 Audit team

Audit team



Use of specialists

Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where management, third-party or EY specialists are expected to provide input for the current year audit are set out in the table below:

| Area | Specialists |
|---|--|
| Valuation of PPE Land and Buildings and Investment Properties | Management Specialist – Management’s in-house valuation experts and NPS. EY Specialist - EY Valuations team (if subsequently deemed required) |
| Pensions disclosure | Management Specialist – Hymans Robertson PWC (Consulting Actuary to the NAO) EY Specialist - EY Actuaries team |

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group’s business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist’s findings are properly reflected in the financial statements



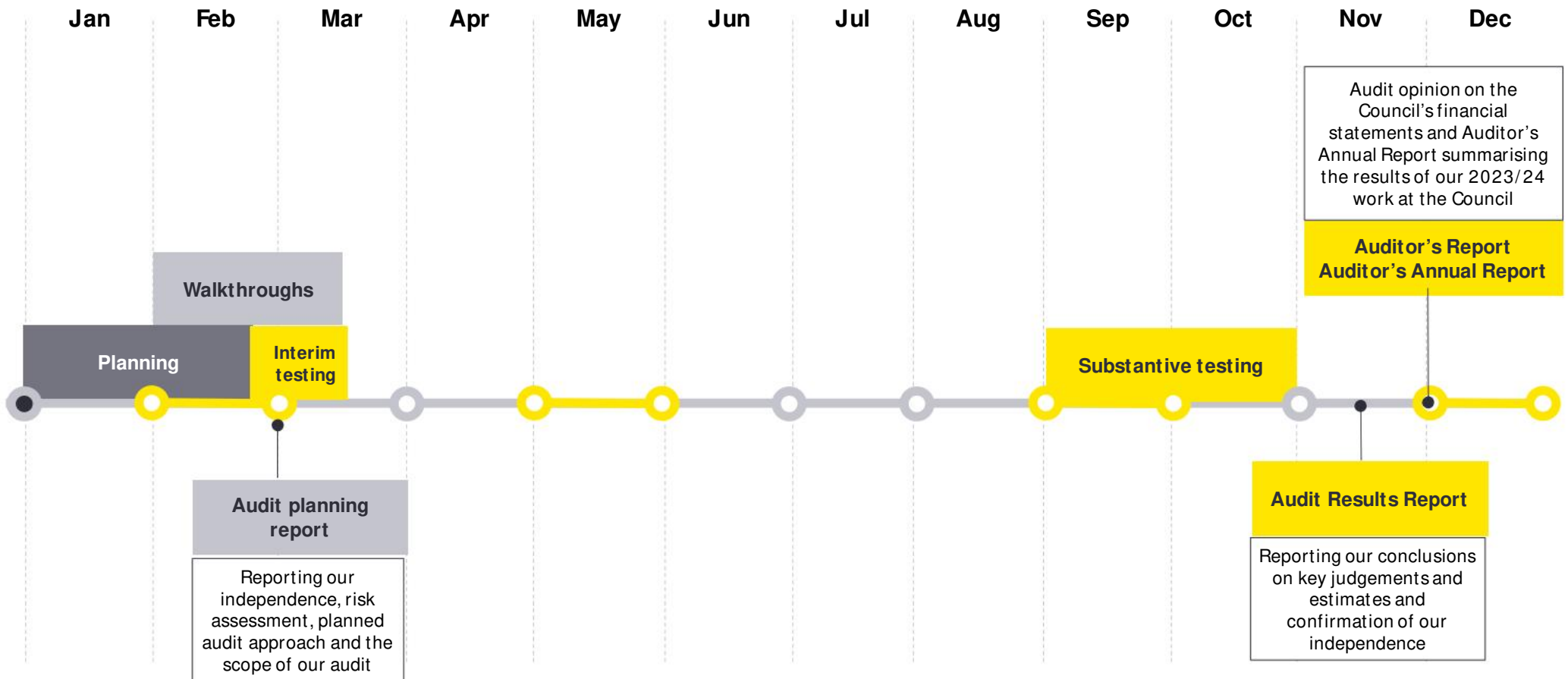
07

Audit timeline

Timetable of communication and deliverables

Indicative timeline

Below is an indicative timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24. From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence

Introduction

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.

Relationships, services and related threats and safeguards

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

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of David Riglar, 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 the Council. Examples include where we have an investment in the Council; 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, the ratio of non-audit fees will not exceed 1:1. No additional safeguards are required.

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

Relationships, services and related threats and safeguards

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.



Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly 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 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 agreed fee presented on the next page is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council;
- ▶ The Council has an effective control environment; and
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Appendix B — Fees

| | Current Year 2023/24 | Note Reference | Prior Year 2022/23 |
|--|----------------------|----------------|--------------------|
| | £ | | £ |
| Scale fee | 212,697 | (1) | TBC |
| Additional work not considered by the scale fee to comply with the requirements of ISA (UK) 315 (Revised). | TBC | (2) | |
| Additional work not considered by the scale fee to assess the Council's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements | TBC | (2) | 0 |
| Total audit | 0 | | TBC |
| Other non-audit services not covered above (Housing benefits) | TBC | (3) | TBC |
| Total other non-audit services | TBC | | 0 |
| Total fees | TBC | | TBC |

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the prior years 2021/22 and 2022/23 audits.

2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this.

The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example preparedness and additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Modified financial statement opinions
- New identified risks and/or issues in year (e.g. system changes)
- Audit scope changes since the scale fees were set (e.g. group audit procedures)

(3) The 2021/22 Housing Benefits work has been completed and is currently in our internal review process, with an expected completion by the end of March 2024. A final fee will be determined shortly for 2021/22. For the prior year 2022/23 and current year 2023/24, no audit work has commenced yet and therefore the fee is still yet to be determined.

Appendix C—Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Council:

| Name | Summary of key measures | Impact on 2023/24 |
|----------------|--|--|
| IFRS 16 Leases | <ul style="list-style-type: none">• CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.• Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.• Lease liabilities and right of use assets will be subject to more frequent remeasurement.• The standard must be adopted by 1 April 2024 at the latest. | <ul style="list-style-type: none">• The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.• The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.• Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner. |

Appendix C—Accounting and regulatory update

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

| Name | Summary of key measures | Impact on 2023/24 |
|---|---|---|
| ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement | <p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> • Risk Assessment • Understanding the entity's internal control • Significant risk • Approach to addressing significant risk (in combination with ISA 330) <p>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:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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. | <p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>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.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> • Manage vendor supplied changes • Manage security settings • Manage user access • Manage entity-programmed changes • Job scheduling and managing IT process |

Appendix D —The Spring Report (A combined perspective on enhancing audit quality)

Overview

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

Appendix E —Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.

Our Reporting to you

| Required communications | What is reported? | When and where |
|-------------------------------------|--|--|
| Terms of engagement | Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA’s appointed auditors and audited bodies. |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter | The statement of responsibilities serves as the formal terms of engagement between the PSAA’s appointed auditors and audited bodies. |
| Planning and audit approach | <p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p> | Audit Planning Report –March 2024 meeting of the Audit and Governance 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 ▶ Findings and issues regarding the opening balance on initial audits | Audit Results report - TBC |

Appendix E —Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

| Required communications | What is reported? | When and where |
|-------------------------|--|----------------------------|
| Going concern | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | Audit Results report - TBC |
| 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 - TBC |
| Fraud | <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance 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 and Governance Committee responsibility | Audit Results report - TBC |

Appendix E —Required communications with the Audit and Governance 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 - TBC |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence ▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. | <p>Audit Planning Report – March 2024 meeting of the Audit and Governance Committee</p> <p>Audit Results report - TBC</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 - TBC |
| 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 and Governance 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 and Governance committee may be aware of | Audit Results report - TBC |

Appendix E —Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

| Required communications | What is reported? | When and where |
|--|---|---|
| Internal controls | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit | Audit Results report - TBC |
| 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 – March 2024 meeting of the Audit and Governance Committee</p> <p>Audit Results report - TBC</p> |
| Representations | Written representations we are requesting from management and/or those charged with governance | Audit Results report - TBC |
| System of quality management | How the system of quality management (SQM) supports the consistent performance of a quality audit | Audit Results report - TBC |
| Material inconsistencies and misstatements | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit Results report - TBC |
| Auditors report | <ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report | Audit Results report - TBC |

Appendix F —Additional audit information

Regulatory update

Our objective is to form an opinion on the Group's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in . We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Governance Committee. The audit does not relieve management or the Audit and Governance Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix F —Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

We have included in **Appendix E** a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

“It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity’s operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity’s financial statements.”

ISA 250A, para 3

“The directors’ report must contain a statement to the effect that...so far as the director is aware, there is no relevant audit information of which the company’s auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company’s auditor is aware of that information.”

ISA 250A, para 3

“Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ...”

Audit Engagement Letter

Management’s responsibilities are also set out in the International Ethics Standard Board of Accountants’ International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants’ International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

“If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and
Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor’s risk assessment and the reliability of written representations, and take appropriate action.”

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals


Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?
 Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.
 This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

- Timely communication of the matter to auditors (within a couple of days)
- Determine who will carry out any investigation into the matter –in-house or external specialists or mix of both
- Scope the investigation, in discussion with the auditors
- Evaluate findings and agree next steps
- Determine effect on financial statements including disclosures
- Prepare a paper, summarising the outcome of the investigation and management’s conclusions
- Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis –do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline –discuss the implications with us as your auditor

Audit response:

- Initial assessment of the NOCLAR matter and its potential impact
- Initial consultation with risk team to determine responsive procedures and the involvement of specialists
- Understand and agree scope of management’s investigation with support from specialists as needed
- Evaluate findings and undertake appropriate audit procedures
- Determine audit related impact including accounting and disclosure and audit opinion implications
- Document and consult on the outcome of our procedures
- Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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ED None

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| Committee | Audit and Governance Committee |
| Date | 11/03/2024 |
| Subject | Corporate Fraud Business Plan 2024/25 |
| Cabinet Member | Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money Councillor Tim Wilson Assistant Cabinet Member for Resources and Value for Money |
| Report Author and Head of Service | Siobhan Martin Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk |
| Chief Executive | Chris Bally Chief Executive chris.bally@eastsuffolk.gov.uk |

| | |
|-------------------------------|------|
| Key Decision? | No |
| Is the report Open or Exempt? | OPEN |

Purpose/Summary

To fulfil the Audit and Governance Committee's terms of reference that it 'Monitor the counter-fraud strategy, activity and resources'.

Recommendation(s)

That the Audit and Governance Committee endorses the East Suffolk Council Corporate Fraud Business Plan to be undertaken at the Council during 2024/25.

Strategic plan

How does this proposal support Our Direction 2028?

| | |
|---|---|
| Environmental Impact | There are various criminal offences relating to environmental damage that the Corporate Fraud Service can assist in investigating in relation to Businesses, Partnerships and individuals connected to the Council. For example-waste issues, fly tipping, fraud act, misleading statements made and money laundering. We support the Council's environmental aims relating to environmental and sustainability issues where appropriate. |
| Sustainable Housing | Corporate Fraud investigations are fundamental to support the Council's foundations of corporate governance, risk, and control. This fraud plan supports the housing aims by ensuring that tenancy frauds are investigated resulting in the property being returned to the housing stock. Due diligence is also undertaken on the Council's Right to Buy Houses to ensure the tenant legitimate claim and there are no money laundering issues. |
| Tackling Inequalities | Corporate Fraud supports the Council's foundations of corporate governance, risk, and control. There are no direct inequalities implications currently known that require investigations. |
| Thriving Economy | Corporate Fraud investigate any referred or pro-active cases in order to protect the public purse which is fundamental to support the Council's economic aims. |
| Our Foundations / governance of the organisation | This report has been prepared in accordance with the Audit and Governance Committee terms of reference 'Monitor the counter-fraud strategy, activity and resources'. The Corporate Fraud Business Plan represents the planned corporate wide anti-fraud work for the financial year 1 st April 2024 to 31 st March 2025, so that fraud risk is mitigated. The Corporate Fraud Business Plan implements the aims and delivery of the Corporate Anti-Fraud and Corruption Strategy previously approved by this Committee. |

Justification for recommendations

1. Background

- 1.1. The Council maintains a zero-tolerance approach towards fraud and corruption, and the existence of a professional Corporate Fraud Service demonstrates the Council's commitment to this objective.

2. Introduction

- 2.1. The Council's Corporate Fraud Business Plan 2024/25 is the Council's response to combatting the financial, social, and personal cost of fraud to the Council, economy, and local community.
- 2.2. It is a key element in the council's Governance framework, designed to reduce the risk of fraud, corruption, and abuse in the delivery of local services.
- 2.3. Fraud is an act of deception carried out for personal gain or to cause loss, or a loss to another party. In the Public Sector fraud can be committed internally by workers or externally by suppliers, contractors, partnerships, and members of the public. Fraud covers a wide spectrum of activities and can affect all departments.
- 2.4. The Corporate Fraud Service is overseen by the Audit and Governance Committee.
- 2.5. The Audit and Governance Committees terms of reference include the responsibilities:
 - To review and approve the Corporate Fraud Business Plan and any policies to ensure they are appropriate to the needs of the organisation in respect of fraud risks.

3. Proposal

- 3.1. This report is to provide the Audit and Governance Committee with details of the proposed Corporate Fraud Business Plan for 2024/25, which is necessary to provide the Committee with the assurance they require in respect of fraud and support good governance.
- 3.2. The Fighting Fraud and Corruption Locally 2020 is the current national strategy for Council Leaders, Chief Executives, Finance Leads, and all those charged with governance in local authorities to use in defending against fraud in local government. This strategy sits alongside the CIPFA (Chartered Institute of Public Finance and Accountancy) – Code of Practice on managing the Risk of fraud and corruption.
- 3.3. The Corporate Fraud Business Plan 2024/25 is a direct response to meeting national strategy, guidance and achieving the Council's strategic plan objectives. It is a key contributor to enabling the Government's austerity measures in reducing public expenditure by reducing fraud. It is the Council's proactive and reactive fraud work, which is noted by the Council's external auditors and Central Government bodies.

4. Financial Implications

- 4.1. Each year the Corporate Fraud Service expects to recover at least twice the cost of the service from preventing fraudulent cases, stopping Right to Buys, tenancies fraud and/or identifying fraudulent payments for recovery. Which will offset the service costs.

5. Legal Implications

5.1. The Corporate Fraud Service relies on several statutory powers to deliver the Corporate Fraud Business Plan, including but not limited to primary legislation:

- Fraud Act 2006
- Prevention of Social Housing Fraud Act 2013
- Proceeds of Crime Act 2002
- Bribery Act 2010.
- The Money Laundering, Terrorist Financing and Transfer of funds Regulations 2017
- Theft Act 1968
- Police and Criminal Evidence Act 1984
- Forgery and Counterfeiting Act 1987
- Regulatory of Investigatory Powers Act 2000
- Data Protection Act 2018 and GDPR
- Local Government Act 1972
- Human Rights Act 1998
- Computer Misuse Act 1990

6. Risk Implications

6.1. This report sets out how the Corporate Fraud Service intends to support fraud risk identification, mitigation, and response over the coming financial year.

7. Options

7.1. There are no options to be considered in relation to this report.

8. Recommendations

8.1. That the Audit and Governance Committee endorses the East Suffolk Council Corporate Fraud Business Plan to be undertaken at the Council during 2024/25.

9. Reasons for Recommendations

9.1. To fulfil the terms of reference of the Audit and Governance Committee.

10. Conclusions/Next Steps

10.1. The Head of Internal Audit Services is responsible for incorporating any required amendments and implementing the Committee-approved Corporate Fraud Business Plan in time for it to take effect from 01 April 2024.

10.2. The results of the Corporate Fraud Business Plan 2024/25 activity will be reported to the Audit and Governance Committee after the financial year ends, currently expected to be July 2025.

Areas of consideration comments

Section 151 Officer comments:

Not applicable

Monitoring Officer comments:

Not applicable

Equality, Diversity and Inclusion/EQIA:

Not applicable

Safeguarding:

Safeguarding issues addressed as necessary in referrals by the Fraud Service.

Crime and Disorder:

The Fraud Service will always work with other Council Services, Partnership's etc to minimise crime and disorder risks in order to protect the public purse and safety of the community and its residents and the environment.

Corporate Services implications:

(i.e., Legal, Finance, Procurement, Human Resources, Digital, Customer Services, Asset Management)

All corporate services within the council will require a fraud risk assessment during the next year. They are all required to support the Corporate Fraud Team in order to prevent and detect fraud with unrestricted scope, the necessary resources and access to information to enable it to fulfil its function on Fraud Team referrals. The Fraud Team will work with corporate services, partnerships, and departments to review the pillars of the Business Plan if required: govern; acknowledge; prevent and pursue to minimise any fraud risk implications.

Residents and Businesses consultation/consideration:

Not applicable

Appendices:

Appendix A | Corporate Fraud Business Plan 2024/25

Background reference papers:

None

Corporate Fraud Business Plan 2024/25

1. Corporate Fraud Service Priorities

The Council maintains high standards of probity and has a good reputation with the residents which it serves, for protecting public finances. Sound systems of public accountability are vital to effective management and in maintaining public confidence. The minimisation of losses to fraud and corruption is essential for ensuring that public resources are used for their intended purpose of providing services to its residents. Fraud is a significant threat to any organisation. It costs its victims sometimes substantial sums of money and diverts resources away from those who need them.

The Councils corporate fraud activity in the coming year is aligned with the pillars sets out in the CIPFA guidance: 'Fighting Fraud and Corruption Locally 2020 – A Strategy for the 2020's':



These core pillars set an ethical standard within the organisation that focuses on the importance of high integrity from all employees, and it places responsibility on senior managers and members to demonstrate their commitment in tackling fraud.

By creating a strong anti-fraud culture, acknowledge the dangers through vigorous risk assessments, developing training, corroborating effectively and by enhancing our internal processes and technology, we can better deter and prevent fraud. In the instance where fraud, theft, bribery, or corruption are proven, we will ensure that consistent and proportionate action is taken, which can lead to prosecution. Furthermore, the Council will review and strengthen its defences so that we can continue to protect public monies and the local residents.

East Suffolk Council has a zero-tolerance approach to fraud, and the Corporate Fraud service is the lead team for advising the organisation on how to identify and manage fraud risk. The Corporate Fraud service is also responsible for investigation any potential attempts to defraud the Council in any department.

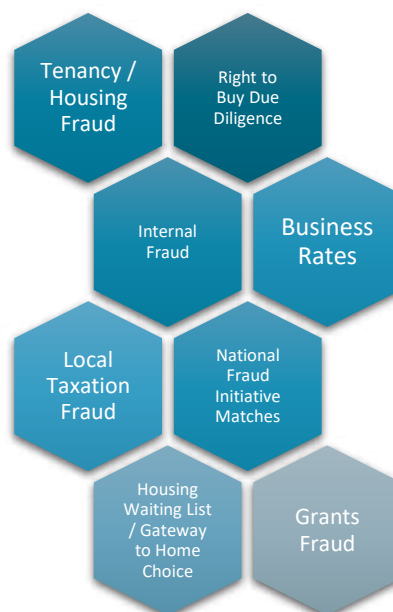
This Corporate Fraud Plan sets out the priorities and aims of the Corporate Fraud service in 2023/24, and how the service intends to support the aims of the Anti-Fraud and Corruption Strategy and other Corporate Fraud Policies.



£3,855,337
The financial benefit of
the Corporate Fraud
service in 2022/23

The Corporate Fraud service takes a well-developed approach to tackling fraud and corruption with a number of activities planned in the coming year. A best practice and pro-active approach is to tackle fraud through a combination of prevention and detection activities. The work is therefore split accordingly between reactive and proactive activity.

Some fraud risk areas to cover under pro-active- or re-active exercises:

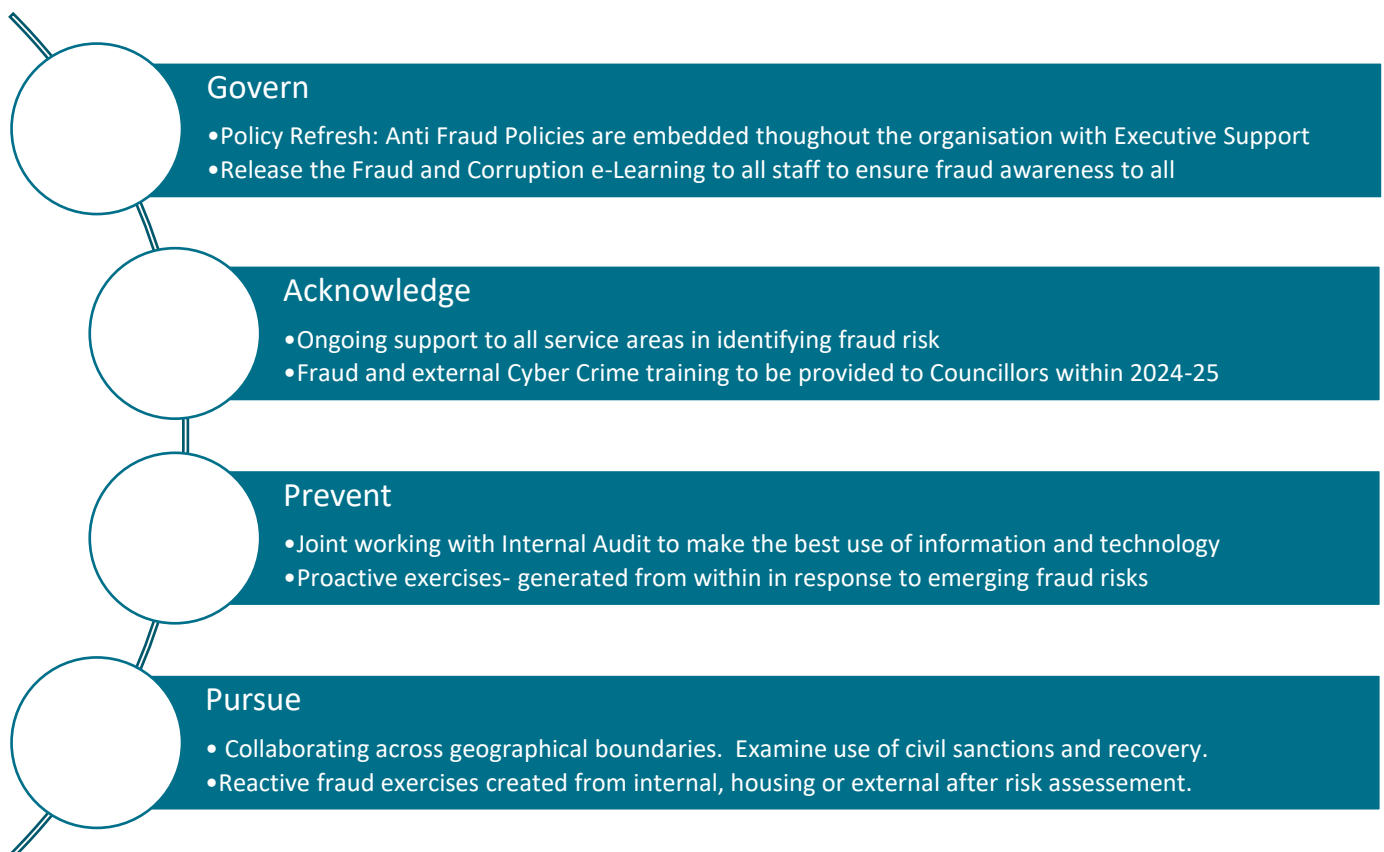


In undertaking fraud investigations, the Council's skilled and experienced fraud investigators rely on the following legislation and related Policies (not an exhaustive list):

- Fraud Act 2006
- Money Laundering Regulations 2017
- Bribery Act 2010
- Prevention of Social Housing Fraud Act 2013
- Regulation of Investigatory Powers Act 2000
- Police and Criminal Evidence Act (PACE) 1984

- Criminal Procedures and Investigation Act (CPIA) 1996
- Human Rights Act 1998
- Proceeds of Crime Act 2002
- Data Protection Act 2018 and GDPR
- Local Government Act 1972

The Corporate Fraud Service has a number of risk areas to cover.



All local Authorities continue to face a significant fraud challenge. The tackling of fraud therefore remains a high priority to ensure that every penny is invested in delivering high quality services to residents.

As methods of fraud change within society, so must the way in which it is countered. By adapting with new emerging technology, we can improve our response, share vital information more effectively and better detect and recover fraud losses.

We expect Councillors and employees at all levels to lead by example to ensure the highest standards are established, maintained, and adhered to. Every employee has accountability and the responsibility to be vigilant and report any suspicions of fraud or corruption, through to the relevant reporting channels.

By creating a strong anti-fraud culture, acknowledging the dangers through vigorous risk assessments, developing training, corroborating effectively and by enhancing our internal processes and technology: we can better deter and prevent fraud.

Where fraud and corruption is identified, we have a duty to protect our residents within our community and by corroborating with other Councils and partner agencies, the Council can better safeguard the vulnerable who are most at risk.

The Fraud Triangle:

In recent times, the impacts of the Covid 19 pandemic, followed by the impacts of the war in Ukraine, rising inflation and the cost-of-living crisis have further exacerbated the challenges the Council faces from fraud and corruption with the temptations and opportunities for fraud have both risen significantly. Combined with the continued pressure and strain on the Council’s resources, this has continued to create an ideal environment for fraudulent activity where all elements of the fraud triangle in which fraud thrives have been heightened. Council’s Resources.



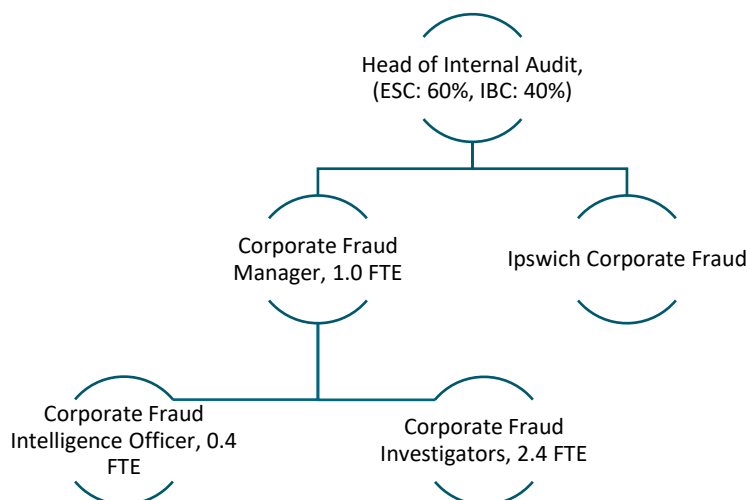
Motivation - Incentive or pressure to commit fraud,

Opportunity - A chance to commit fraud without being caught,

Rationalisation - Reasoning used to justify the fraud.

2. Resources

The Corporate Fraud service reports to the Head of Internal Audit and forms part of the Audit Services Partnership with Ipswich Borough Council.



The Corporate Fraud service in partnership with Ipswich Borough Council have skills that can be utilised in respect of the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017.

The Corporate Fraud Service at both East Suffolk Council and Ipswich Borough Council is led by the Head of Internal Audit and Fraud. She is also a National Crime Agency (NCA) Accredited Officer in respect of financial investigations and can authorise Proceeds of Crime cases and Money Laundering cases for both Councils.

She is the sole Accredited Officer enabled to access NCA system to report Suspicious Activity Reports (SAR's) as a defence for Anti-Money Laundering Procedures.

She has her own statutory powers by regularly reporting to the Surveillance Commissioner in respect of Regulation of Investigatory Powers Act 2000 authorisations (covert surveillance). During 2022/23 the Council has not used or completed any enquires under the Regulation of Investigatory Powers Act 2000.

She also reports to the Information Commissioner in respect of Data Protection/FOI appeals etc and acts as an Expert Witness on behalf of the Councils in any Tribunal appeals.

Alongside this expertise, one of the Corporate Fraud Investigators has qualified as a Financial Intelligence Officer accredited by the National Crime Agency within a few months of training. Further training will commence shortly to then become an Accredited Financial Investigator by the National Crime Agency.

In order to keep the National Crime Agency Accreditation both staff members must undertake and submit three/six monthly Continuous Personal Development (CPD) exercises in order not to forfeit the Accreditation. Therefore the Fraud Team hope to utilise these specific skills in the near future to enhance our Investigatory financial results.

Partnership arrangements also provide an opportunity to share training, knowledge, and expertise.

Fighting fraud and corruption is a not a one-off cost, it requires ongoing investment which flexes with the scale of risk and threat that all Councils face.

3. Measuring Results

An annual report of outcomes from the previous financial year 2023/24 is presented to the Audit and Governance Committee in a separate report usually in July each year.

Outputs are monitored on a monthly basis within the service by the Corporate Fraud Manager and reported to the Head of Internal Audit.

| | |
|--|--|
| Committee | Audit and Governance Committee |
| Date | 11/03/2024 |
| Subject | Annual Data Protection Plan 2024/2025 |
| Cabinet Member | <p>Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money</p> <p>Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money</p> <p>Councillor Paul Ashton, Cabinet Member with responsibility for Corporate Services (Digital, Customer Services, HR and Assets)</p> |
| Report Author and Head of Service | <p>Siobhan Martin</p> <p>Head of Internal Audit</p> <p>siobhan.martin@eastsoffolk.gov.uk</p> |
| Chief Executive | <p>Chris Bally</p> <p>Chief Executive</p> <p>chris.bally@eastsoffolk.gov.uk</p> |

| | |
|-------------------------------|------|
| Key Decision? | No |
| Is the report Open or Exempt? | OPEN |

Purpose/Summary

To review and approve the annual Data Protection Plan.

This report presents Members with an overview of the planned work to be undertaken from April 2024 to March 2025 by Data Protection services. The data protection services plan is based on annual core activities and project/initiatives identified as part of the 2023/24 Information Commissioner's Office (ICO) self-assessment.

The data protection services plan is carried out in line with and adhering to the legal obligations under both the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. The plan is fundamental to support the Council's foundations of corporate governance, risk, and control.

This report has been prepared in accordance with the Audit and Governance Committee's terms of reference to: Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of non-compliance

Recommendation(s)

That Audit and Governance Committee:

1. Reviews and considers and comments on the Annual Data Protection Plan 2024/25.

Strategic plan

How does this proposal support Our Direction 2028?

| | |
|---|--|
| Environmental Impact | There are no environmental implications. |
| Sustainable Housing | There are no sustainable housing implications. |
| Tackling Inequalities | There are no inequalities implications. |
| Thriving Economy | The annual Data Protection Plan directly links to the Council's framework of corporate governance, which encompasses the Our Direction 2028 Strategic Plan and activities that support and enhance our thriving economy. |
| Our Foundations / governance of the organisation | <p>The annual Data Protection Plan is an overview of the Council's data protection activities over the financial year. The core responsibility on the Data Protection team is to help the organisation adhere to its legal obligations under UK GDPR and Data Protection Act 2018 by bringing a systematic, disciplined approach to improve the effectiveness of data protection arrangements within the Council.</p> <p>The entire annual Data Protection Plan directly links to the Council's framework of corporate governance, which encompasses the Our Direction 2028 Strategic Plan. Its activities and outcomes are essential to supporting and improving the governance environment, supporting the Council's technical controls, over applications, information, infrastructure, and</p> |

| | |
|--|--|
| | people, where applicable, which proactively contributes to delivering the Our Direction 2028 Strategic Plan. |
|--|--|

Justification for recommendations

1. Background

- 1.1. The Data Protection team forms part of the wider Internal Audit team but remains independent in its reviewing, advice, and reporting and therefore this is a separate plan to the Internal Audit Plan.
- 1.2. The Data Protection team is responsible for supporting the Council arrangements for data protection, providing advice and guidance in adhering to and complying with the Data Protection Act 2018 and UK GDPR.
- 1.3. The Head of Internal Audit has the strategic responsibility of Data Protection Officer. The Data Protection team support this role to ensure the Council's compliance with data protection legislation.

2. Introduction

- 2.1. The annual Data Protection Plan is to be considered by the Committee at its March meeting and details the work that will provide confidence to the Council in terms of ensuring that the Council is compliant with data protection legislation, and to minimise the risk of significant fines for non-compliance.

3. Proposal

- 3.1. An annual Data Protection Plan is required in order for the Head of Internal Audit/Data Protection Officer to provide confidence to the Council by ensuring that the Council is compliant with data protection legislation in the year to 31 March 2025.
- 3.2. The Data Protection Plan for 2024/25 will continue to identify weaknesses and/or non-compliance with UK GDPR and the Data Protection Act 2018, and to bring these to the attention of management.

4. Financial Implications

- 4.1. Non-compliance with UK GDPR and the Data Protection Act 2018 could result in possible fines by the ICO.

5. Legal Implications

- 5.1. The UK GDPR and the Data Protection Act 2018 are legal frameworks which all organisations nationally must adhere to. The annual Data Protection Plan evidences how the Council is meeting and adhering to its legal obligations under both pieces of legislation.
- 5.2. Data Protection actions completed in line with the above legislations are fundamental to support the Council's foundations of corporate governance, risk and control.

5.3. The annual Data Protection Plan is an essential component for the Council's compliance with the Data Protection Act 2018 and UK GDPR.

6. Risk Implications

6.1. Non-compliance with UK GDPR and the Data Protection Act 2018 could result in damage to citizens privacy, potential damage to the Council's reputation and possible fines by the ICO.

7. Options

7.1. There are no options to be considered in relation to this report.

8. Recommendations

8.1. That the Audit and Governance Committee reviews and considers and comments on the Annual Data Protection Plan 2024/25.

9. Reasons for Recommendations

9.1. To ensure the Committee fulfils its terms of reference and supports the data protection process.

10. Conclusions/Next Steps

10.1. To deliver the annual Data Protection Plan throughout 2024/25.

Areas of consideration comments

Section 151 Officer comments:

Not applicable

Monitoring Officer comments:

Not applicable

Equality, Diversity and Inclusion/EQIA:

Not applicable

Safeguarding:

Not applicable

Crime and Disorder:

Not applicable

Corporate Services implications:

(i.e., Legal, Finance, Procurement, Human Resources, Digital, Customer Services, Asset Management)

Financial

The annual Data Protection Plan directly links to the Council's framework of corporate governance, which encompasses the Our Direction 2028 Strategic Plan and activities that support the financial stability of the Council, where applicable.

Human Resources

The annual Data Protection Plan directly links to the Council's framework of corporate governance, which encompasses the Our Direction 2028 Strategic Plan and activities that support Officers training and to support Human Resources with disciplinary's should the need arise relating to data protection.

Digital

The annual Data Protection Plan directly links to the Council's framework of corporate governance, which encompasses the Our Direction 2028 Strategic Plan and activities that support the Council's technical controls over applications, information, infrastructure, and people, where applicable.

Legal

The UK GDPR and the Data Protection Act 2018 are legal frameworks which all organisations nationally must adhere to. The annual Data Protection Plan evidences how the Council is meeting and adhering to its legal obligations under both pieces of legislation.

Residents and Businesses consultation/consideration:

Not applicable

Appendices:

| | |
|-------------------|-------------------------------------|
| Appendix A | Annual Data Protection Plan 2024/25 |
|-------------------|-------------------------------------|

Background reference papers:

| Date | Type | Available From |
|-------------|-------------------------------------|------------------------|
| 2018 | UK GDPR | ICO |
| 2018 | Data Protection Act 2018 | HM Government |
| 2020 | Our Direction 2028 - Strategic Plan | Head of Internal Audit |
| 2023 | ESC Corporate Risk Register | Head of Internal Audit |

Data Protection Plan 2024/25



Data Protection Strategy and Annual Plan

1. Data Protection Strategy

The Data Protection Strategy is the way the Data Protection team delivers the services needed by East Suffolk Council. It sets out how data protection supports and builds a better organisation.

Data Protection supports the Council and adds organisational value in the following ways:

| Data Protection Function | Purpose and Value |
|--|---|
| Data Protection Officer (DPO) | The provision of independent advice (as required by data protection law) and an expert in data protection. The monitoring of internal compliance with UK General Data Protection Regulation (UK GDPR), Data Protection Act 2018 and the Councils data protection policies with due regard to the risk associated with processing operations. Demonstrates the Councils compliance with and accountability under the UK GDPR and Data Protection Act 2018. Reports to the highest management level giving Senior Management and Councillors confidence in the Councils compliance with data protection legislation. Proactive in raising awareness, providing training and keeping up to date with changes to data protection legislation. |
| Advice, Support and Guidance | Provision of independent strategic and operation-level advice, support and guidance on data protection, risk and control processes. Attendance at corporate meetings. |
| Audit and Governance Committee | Preparation and presentation of reports to the Audit and Governance Committee. Provision of training to Members. Provision of advice and support to members of the Committee. |
| Internal Management | Day to day management of the internal data protection function. Ongoing quality control of data protection services. |
| Internal Self-Assessment | Self-assessment of data protection procedures for quality and compliance purposes. Required annually for conformance with Information Commissioner’s Office guidance. |
| Internal Training, Development and Awareness | Building knowledge and awareness within the Data Protection team. Provides an understanding of developments that may affect the Council, its data protection risk and compliance needs. Knowledge sharing within the organisation. Liaison with other data protection leaders to share and develop knowledge and professional best practice. |
| Contingency | Provision for unplanned, emergent work. Allows a flexible, responsive data protection function. |

Data Protection's strategic priority is to comply with the UK GDPR and the Data Protection Act 2018 as legal frameworks, which the Council must adhere to, and in doing so provide confidence to Audit and Governance Committee of the Councils compliance with both pieces of legislation. The focus of data protection activity planned for

Data Protection Strategy and Annual Plan

the 2024/25 financial year is the provision of advice, support, guidance and training in accordance with UK GDPR and Data Protection Act 2018, as set out in the next section's Data Protection Plan.

The Data Protection plan undertakes all activities in line with and adhering to its legal obligations under both UK GDPR and the Data Protection Act 2018. Data Protection actions completed in line with both legislations are fundamental to support the Council's foundations of corporate governance, risk and control.

Other activities will be undertaken as directed by the Head of Internal Audit/Data Protection Officer and are intended to support one or more of (1) delivery of the Data Protection Plan, (2) development of the Data Protection function, (3) compliance with UK GDPR and Data Protection Act 2018, or (4) organisational needs.

2. Data Protection Plan

In order to support the Committee, the Head of Internal Audit/Data Protection Officer has completed the data protection plan based on the annual core activities and project/initiatives identified as part of the 2023/24 ICO self-assessment and the confidence needs she believes the Committee has.

Since the COVID-19 pandemic in 2020, the Council and its Data Protection service has had to adapt to an unprecedented level of change. It is clear the changes implemented in response to the COVID-19 pandemic, such as hybrid working, will continue to remain in force and to affect the Council and its strategic ambitions, and the Data Protection service will continue to respond accordingly.

The Council's Data Protection plan is focused on supporting the organisation in the achievement of its objectives. It also seeks to balance the Council's need for compliance with the demands of delivering essential Council activities by service areas. It is important to note that although Data Protection supports and seeks to accommodate the needs of service areas wherever possible, the Data Protection function must also remain unfettered and free from interference.

The plan is fluid and expected to change over the 12 months it covers. In line with the Data Protection Strategy, the following activities are considered essential to meet the compliance requirements under data protection legislation and for the confidence of the Audit and Governance Committee in 2024/25.

| Area of Core Activity | Purpose of Data Protection |
|--|---|
| Strategic Advice and Guidance | Provision of guidance, advice and monitoring by the Data Protection Officer and Deputy Data Protection Officer. |
| Data Protection Subject Access Requests (SARs) | To comply with the legal duty to provide information to Data Subjects |
| Data Incidents and Breaches | Responding to <ul style="list-style-type: none"> Confirmed breaches |

Data Protection Strategy and Annual Plan

| | |
|--------------------------------|--|
| | <ul style="list-style-type: none"> • Non-compliance with legislation |
| Data Protection Administration | <p>Verifying and coordinating requests for personal data and supporting internal service areas on:</p> <ul style="list-style-type: none"> • Data Protection Impact Assessments • Data Sharing Agreements • Provision of general Data Protection Advice • Privacy Notices • Partnership working with other Suffolk Councils and external Information Governance groups. |
| Data Protection Training | <p>Training to service areas on:</p> <ul style="list-style-type: none"> • Data Protection Impact Assessments • Project teams/Project Managers • New Starter Inductions • Bespoke training for individual service areas (e.g. Planning and Environmental Services) • Bite sized training to be undertaken after a breach has occurred • Annual completion of the E-Learning Data Protection training via Oracle • Data Protection Champions training • Councillor/Members training • SharePoint updates and communications |
| ICO Self-Assessment | Review of internal procedures against ICO recommended practice |
| CCTV Review | Review ESC run CCTV (not ESSL managed CCTV) of internal procedures against Surveillance Commissioner and ICO recommended practice |
| Policies and Procedures | <p>Review, Refresh and Drafting of existing and new policies:</p> <ul style="list-style-type: none"> • Information Classification Policy • Information Asset Registers review and update • Data Quality and Management Policy • Roles and responsibilities for Data Protection Champions • Information Risk and Records Management Policy • Clear Desk Policy • Marketing Policy |

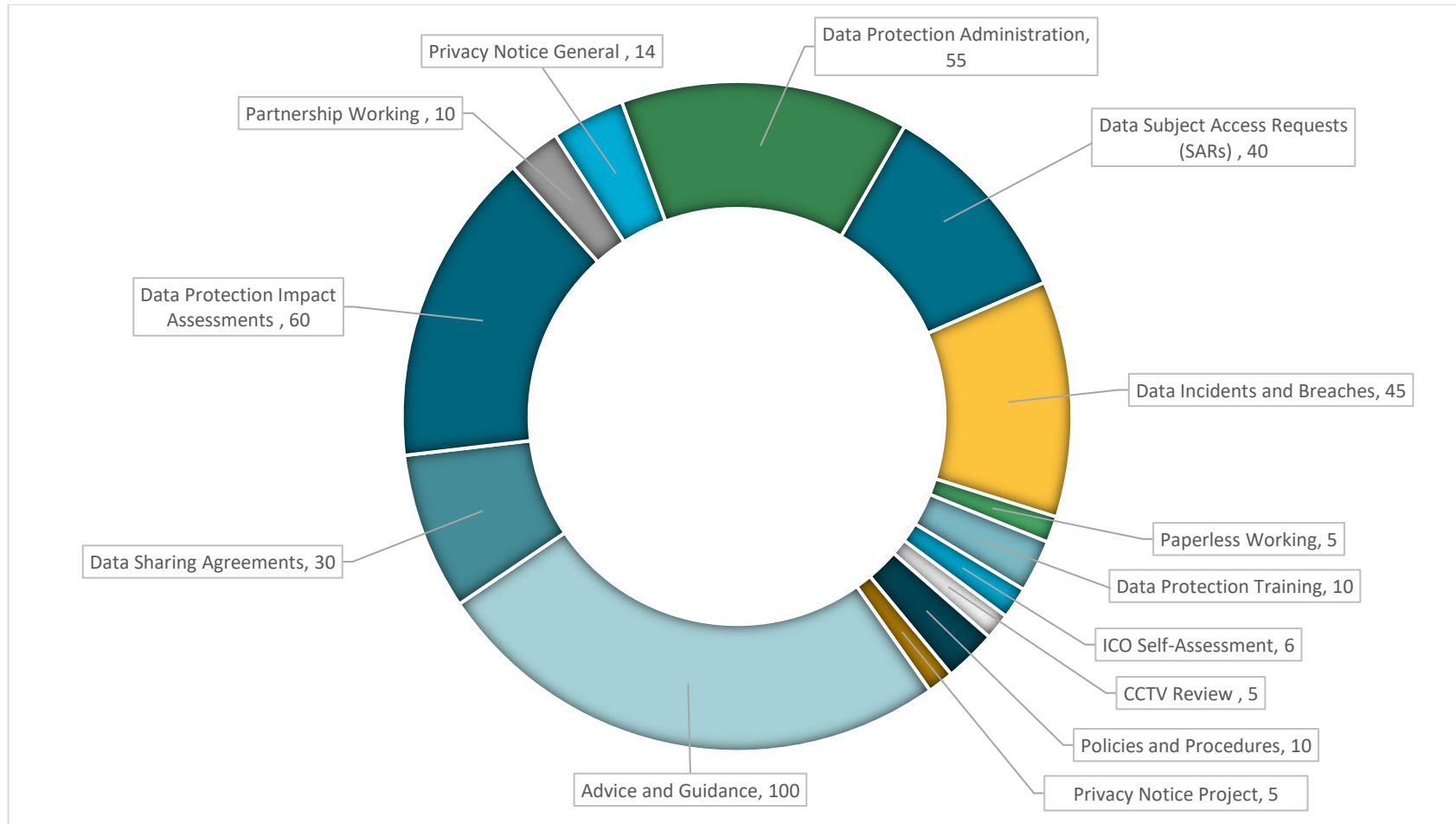
Data Protection Strategy and Annual Plan



| | |
|-------------------------------|---|
| Data Sharing Agreement Review | Review of all DSAs held against the contracts register |
| Privacy Notices | Review of current privacy notices published on ESC website. Drafting and finalising of privacy notices for all service areas within ESC. |
| Paperless Working | Development of eForms for internal Data Protection reporting and activity |

Data Protection Strategy and Annual Plan

At the time of drafting, the Data Protection team anticipate their time to be allocated as follows:



*Value is equivalent to days spent 2024/25

How the Data Protection Plan will be Delivered

3. Resources

The Data Protection team consists of an Information Governance Officer and an Information Governance Administrator the equivalent of 2 FTE.

For the period 1 April 2024 to 31 March 2025 total resources available for Data Protection team activities is 395 working days. This excludes time taken by the Data Protection Officer and Deputy Data Protection Officer.



| | |
|-------------------------|---|
| Committee | Audit and Governance Committee |
| Date | 11/03/2024 |
| Subject | Treasury Management 2023/24 Quarter 3 Report |
| Cabinet Member | Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money |
| Report Author(s) | Julian Sturman Specialist Accountant – Capital & Treasury Management julian.sturman@eastsoffolk.gov.uk |
| Head of Service | Lorraine Rogers Chief Finance Officer and Section 151 Officer lorraine.rogers@eastsoffolk.gov.uk |
| Director | Chris Bally Chief Executive chris.bally@eastsoffolk.gov.uk |

| | |
|-------------------------------|------|
| Key Decision? | No |
| Is the report Open or Exempt? | OPEN |

| | |
|---|-----|
| Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information. | N/A |
|---|-----|

Purpose/Summary

The Treasury Management Policy Statement for 2023/24 requires quarterly reporting on the Treasury Management function to be produced to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code. The report reviews performance of the treasury management function for quarter 3 of 2023/24.

Recommendation(s)

That the Audit & Governance Committee

1. Approve the quarter 3 report on the Council's Treasury Management activity for 2023/24.
2. Approve the Annual Minimum Revenue Provision Statement 2024/25 in Appendix A.

Strategic plan

How does this proposal support Our Direction 2028?

| | |
|---|--|
| Environmental Impact | The Council has committed to delivering positive climate, nature and environmental impacts through the decisions we make and the actions we take. Ensuring the Councils cashflows are invested securely to support the Councils overall budget position in turn enable the commitment, ensuring where possible that environment and energy efficient processes, materials and equipment are used in the Councils spending plans. |
| Sustainable Housing | Ensuring the Councils cashflows are invested securely to support the commitments of both the General Fund and Housing Revenue Account specifically the commitment to sustainable housing. |
| Tackling Inequalities | Ensuring the Councils cashflows are sufficient to support the Councils budget position which provides a regeneration programme, enabling business and charities providing direct services to residents of East Suffolk to locate in Council owned assets. |
| Thriving Economy | Ensuring the Councils cashflows are sufficient to support the Councils budget position providing economic development and regeneration activity and in turn enabling residents of East Suffolk to benefit from and contribute to a thriving economy. Specifically, the Council is committed to delivering the Towns Fund Deal project including the regeneration of the Towns Seafront. |
| Our Foundations / governance of the organisation | At the heart of the Treasury strategies is good financial management and governance which underpins the Councils spending commitments within the Councils Medium Term Financial Strategy (MTFS). |

Justification for recommendations

1. Background

1.1. The CIPFA Prudential code requires quarterly reporting of the Treasury Management function to the Audit & Governance Committee.

2. Introduction

2.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has both an investment and borrowing portfolio and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

2.2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code).

3. Proposal

3.1. **Economic background:** UK inflation rates finally started to decline, mirroring the sharp but earlier drop seen in the Eurozone and US. Despite the fall, the Consumer Price Index (CPI) remained substantially in excess in the Bank of England's (BoE) 2% target, at 3.9% for November 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.

3.2. The BoE's Monetary Policy Committee held Bank Rate at 5.25% throughout the period, although a substantial minority continued to vote for a 25-basis point rate rise.

3.3. Following the December MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate. Short term risks are broadly balanced, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

3.4. **Credit review:** Arlingclose maintained the advised maximum duration limit for all banks on its recommended counterparty list to 35 days over the period.

3.5. Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

3.6. 2023/24 Quarter 3 Summary:

- Total investments at 31st December 2023 totalled £119.89m
- These investments are summarised as Short-term Investments £71m, Long-term Investments £19.89m and Liquidity Investments £29m.
- Interest on Investments to 31st December totalled £2.7m.

3.7. The Council's counterparty list (investment list) is continuously reviewed and updated taking into account published credit rating information, financial accounts, share prices, asset size, Government support and information from the Council's Treasury Advisors, Arlingclose.

3.8. **Investment Portfolio 2023/24:** CIPFA revised TM Code defines treasury management investments as 'those which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

3.9. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During this year, the Councils investment balances ranged between £97.89m and £131.89 million due to timing differences between income and expenditure. The investment position is shown in table below.

| | 1st April 2023 £m | 1st April Interest Rate % | 31st December 2023 £m | 31st December Interest Rate % |
|---|----------------------|---------------------------------|-----------------------------|--|
| Call Accounts (Liquidity Funds) | 18.77 | 3.40% | 19.00 | 2.10% - 3.50% |
| Money Market Funds | 10.00 | 3.35% | 10.00 | 5.25% |
| Term Investments: upto 12 months | 73.00 | 1.20% - 4.40% | 71.00 | 4.48% - 5.80% |
| Term Investments: over 12 months | 6.80 | 0.20% - 7.35% | 1.80 | 7.35% |
| Property Investment Fund | 9.04 | 4.49% | 9.04 | 4.49% |
| Multi Asset Fund | 9.75 | 3.36% - 3.82% | 9.05 | 3.36% - 3.82% |
| Total | 127.36 | | 119.89 | |

3.10. Inter Local Authority investments have maintained in relatively high yield during the third quarter of 2023/24, mainly due as a consequence of the Bank of England base rate level but also due to market competition in Local Authorities requiring short-term borrowing for cashflow purposes.

3.11. The table below details the local authority and Central Government investments to 31st December 2023.

DMO (Central Government) Investments - Short Term

| | <u>Amount</u> | <u>Duration</u> | <u>Start Date</u> | <u>End Date</u> | <u>Rate</u> |
|-----|--------------------------|-----------------|-------------------|-----------------|-------------|
| DMO | 5,000,000 | 33 days | 06/12/2023 | 08/01/2024 | 5.190% |
| DMO | <u>5,000,000</u> | 3 months | 18/12/2023 | 19/03/2024 | 5.210% |
| | <u>10,000,000</u> | | | | |

Local Authority Investments - Short Term

| | <u>Amount</u> | <u>Duration</u> | <u>Start Date</u> | <u>End Date</u> | <u>Rate</u> |
|--|--------------------------|-----------------|-------------------|-----------------|-------------|
| Eastleigh Borough Council | 3,000,000 | 9 months | 16/05/2023 | 16/02/2024 | 4.60% |
| Cheshire East Council | 5,000,000 | 6 months | 28/06/2023 | 04/01/2024 | 4.48% |
| North Lanarkshire Council | 5,000,000 | 8 months | 20/07/2023 | 20/03/2024 | 4.60% |
| Stockport Metropolitan Borough Council | 5,000,000 | 6 months | 28/07/2023 | 29/01/2024 | 5.35% |
| London Borough of Newham | 5,000,000 | 9 months | 31/07/2023 | 30/04/2024 | 5.60% |
| London Borough of Newham | 5,000,000 | 6 months | 17/08/2023 | 19/02/2024 | 4.50% |
| Southampton City Council | 5,000,000 | 9 months | 01/09/2023 | 09/05/2024 | 5.80% |
| Uttlesford District Council | 5,000,000 | 10 months | 21/09/2023 | 15/07/2024 | 5.80% |
| Ashford Borough Council | 5,000,000 | 7 months | 27/09/2023 | 29/04/2024 | 5.55% |
| Plymouth City Council | 5,000,000 | 9 months | 10/11/2023 | 12/08/2024 | 5.55% |
| Uttlesford District Council | 4,000,000 | 8 months | 13/11/2023 | 15/07/2024 | 5.60% |
| Epping Forest District Council | 2,000,000 | 78 days | 15/11/2023 | 01/02/2024 | 5.50% |
| Epping Forest District Council | 2,000,000 | 3 months | 15/11/2023 | 16/02/2024 | 5.50% |
| Aberdeen City Council | <u>5,000,000</u> | 6 months | 11/12/2023 | 11/06/2024 | 5.60% |
| | <u>61,000,000</u> | | | | |

3.12. The interest on investments to the 31st December totals £2.7m against an original budget of £1.6m for 2023/24.

3.13. **Borrowing:** PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council therefore avoids this activity in order to retain its access to PWLB loans.

3.14. As outlined in the treasury strategy, the Councils chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Councils long-term plans change being a secondary objective. The Councils borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

3.15. The PWLB borrowing rates for the period April to December 2023 are shown below.

| | 31/03/2023 | 31/12/2023 |
|---|------------|------------|
| 1-year PWLB certainty rate, maturity loans | 4.78% | 5.13% |
| 5-year PWLB certainty rate, maturity loans | 4.31% | 4.19% |
| 10-year PWLB certainty rate, maturity loans | 4.33% | 5.37% |
| 20-year PWLB certainty rate, maturity loans | 4.70% | 4.90% |
| 50-year PWLB certainty rate, maturity loans | 4.41% | 4.67% |

3.16. No new additional borrowing was taken out during the period to the 31st December 2023. In line with the current loan portfolio repayment terms an £80k repayment was made during in November 2023.

| | 31 st August 2023 Principal £m | Repayments during Q3 £m | 31 st December 2023 Principal £m |
|---------------------------------------|--|----------------------------|--|
| PWLB Fixed Rate Maturity/EIP Loans | 65.57 | -0.08 | 65.49 |

3.17. **Compliance:** The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the TM Code and the Councils approved Treasury Management Strategy.

| | 2023/24 Quarter 3 | 2023/24 Operational Boundary | 2023/24 Authorised Limit | Complied? Yes/No |
|------------------|----------------------|------------------------------------|--------------------------------|---------------------|
| Borrowing | £65.49m | £173m | £175m | Yes |

3.18. Compliance with specific investment limits is demonstrated in the table below.

| | 2023/24 Q3 Maximum | 31.12.2023 Actual | 2023/24 Limit per Counterparty | Complied Yes/No |
|--|--------------------------|----------------------|--------------------------------------|--------------------|
| Any single organisation, except the UK Government | £525m | £61m | £25m | Yes |
| Unsecured investments with building societies | £15m | £0 | £15m | Yes |
| Money Market Funds | £20m | £10m | £20m | Yes |
| Strategic Pooled funds | £60m | £18.09m | £20m | Yes |
| Subsidiaries | £10m | £1.6m | £10m | Yes |

3.19. The Authority measures and manages its exposures to treasury management risks using the following indicators.

3.20. Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| | 31.12.2023 | 2023/24 Target | Complied Yes/No |
|--------------------------------|------------|-------------------|--------------------|
| Portfolio average credit score | 4.8 | 4 | Yes |

3.21. Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

| | 31.12.2023 £m | 2023/24 Target £m | Complied Yes/No |
|--|------------------|----------------------|--------------------|
| sums subject to variable interest rates: | | | |
| Total cash available within 3 months | 57.00 | 30.00 | Yes |

3.22. Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Councils exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

| Price risk indicator Q3 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|---------|---------|---------|---------|
| Limit on principal invested beyond year end | £5.0m | £5.0m | £5.0m | £5.0m |
| Actual principal invested beyond year end | £1.8m | £0 | £0 | £0 |
| Complied | Yes | Yes | Yes | Yes |

3.23. Minimum Revenue Provision Statement 2024/25: Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The statement in appendix A sets out the Councils principal strategy for accounting for borrowing/leases in 2024/25.

4. Financial Implications

4.1. The management of the Councils Treasury Management functions feeds directly into the Councils Medium Term Financial Strategy (MTFS).

5. Legal Implications

5.1. There are no legal implications for this report.

6. Risk Implications

6.1. Non-compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA's) Prudential Code.

7. Options

7.1. To comply with the CIPFA Prudential code the report is required to be produced and presented to members, and consequently, no other options have been considered.

8. Recommendations

8.1. That the Audit & Governance Committee approves the quarter 3 report on the Council's Treasury Management activity for 2023/24 and the Annual Minimum Revenue Provision Statement 2024/25 in Appendix A.

9. Reasons for Recommendations

9.1. Approval of the quarterly Treasury Management activity by the Audit & Governance Committee is a requirement under the CIPFA Prudential Code.

10. Conclusions/Next Steps

10.1 The quarterly Treasury Management reports will form part of the Treasury Management Outturn report compiled in the preceding financial year and presented to Full Council.

Areas of consideration comments

Section 151 Officer comments:

The report complies with the required CIPFA prudential code ensuring that the Treasury Management activity for the Council is reviewed by an appropriate Committee.

Monitoring Officer comments:

This report complies with the Council's Constitution which requires the review and monitoring of the Council's Treasury Management policies and practices by the Council's Audit and Governance Committee.

Equality, Diversity and Inclusion/EQIA:

There are no direct implications arising from this report.

Safeguarding:

There are no direct implications arising from this report.

Crime and Disorder:

There are no direct implications arising from this report.

Corporate Services implications:

There are no direct implications arising from this report.

Residents and Businesses consultation/consideration:

There are no direct implications arising from this report.

Appendices:

| | |
|-------------------|--|
| Appendix A | Annual Minimum Revenue Provision Statement 2024/25 |
|-------------------|--|

Background reference papers:

| |
|------|
| None |
|------|

Annual Minimum Revenue Provision Statement 2024/25

ES/1881

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

- For capital expenditure incurred before 1st April 2008 MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after expenditure is incurred. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
- For capital expenditure loans to third parties, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by

the government in its recent MRP consultation and in the Authority's, view is consistent with the current regulations.

- No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26 or later.

| | |
|--|--|
| Committee | Audit and Governance Committee |
| Date | 11/03/2024 |
| Subject | Internal Audit Strategy, Plan and Charter 2024/25 |
| Cabinet Member | Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money |
| Report Author and Head of Service | Siobhan Martin Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk 01394 444254 |
| Chief Executive | Chris Bally Chief Executive chris.bally@eastsuffolk.gov.uk 01502 523210 |

| | |
|-------------------------------|------|
| Key Decision? | No |
| Is the report Open or Exempt? | OPEN |

Purpose/Summary

East Suffolk Council is required under the Accounts and Audit Regulations 2015 to maintain an adequate and effective Internal Audit Service. The Internal Audit services acts in accordance with the Public Sector Internal Audit Standards (PSIAS) and local Internal Audit Charter

This report provides the Committee with the proposed annual Internal Audit Strategy, Plan and Charter for the 2024/25 financial year, as required by this Committee's Terms of Reference, East Suffolk Council's constitution and professional internal audit standards.

Recommendation(s)

That the Audit and Governance Committee:

1. Reviews and approves the Internal Audit Strategy and Plan 2024/25 (Appendix A of this report)
2. Reviews and approves the updated Internal Audit Charter (Appendix B of this report)

Strategic plan

How does this proposal support Our Direction 2028?

| | |
|---|---|
| Environmental Impact | See Our Foundations |
| Sustainable Housing | See Our Foundations |
| Tackling Inequalities | See Our Foundations |
| Thriving Economy | See Our Foundations |
| Our Foundations / governance of the organisation | <p>The fundamental purpose, nature and scope of internal auditing is to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</p> <p>Internal Audit supports the core governance of the organisation by providing assurance on the council's activities and operations, which in turn underpins the delivery of all council objectives and obligations.</p> |

Justification for recommendations

1. Background

- 1.1. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

2. Introduction

- 2.1. The activity of the internal audit service is overseen by the Audit and Governance Committee.
- 2.2. The Audit and Governance Committee's terms of reference include the responsibilities:
 - To review and approve the Internal Audit Charter to ensure that it is appropriate to the needs of the organisation.
 - To review and approve the annual internal audit plan and any major changes to it.

3. Proposal

- 3.1. This report is to provide the Committee with details of the proposed risk-based approach for 2024/25, which is necessary to provide the Committee with the assurances they require, facilitate the Head of Internal Audit's annual opinion, and support good governance within East Suffolk Council.
- 3.2. The Internal Audit Plan also includes an Internal Audit Strategy for 2024/25 in accordance with the best practice recommended by the Chartered Institute of Internal Auditors in the UK and Ireland.
- 3.3. The Internal Audit Charter, which sets out the internal audit framework and approach at East Suffolk Council has also been reviewed. The Charter's core details and arrangements do not require amendment, with only minor updates proposed.
- 3.4. The global Institute of Internal Auditors has released an updated set of Internal Audit Standards for implementation in January 2025, and the service is awaiting guidance from the Chartered Institute of Public Finance and Accountancy on how these will align with the current UK Public Sector Internal Audit Standards. The Head of Internal Audit is maintaining a watching brief on developments, and will report to the Committee again if any changes to the Audit Charter are needed before the next scheduled review date.

4. Financial Implications

- 4.1. There are no direct financial implications arising from this report. Internal audit supports the council's financial operations by providing assurance on whether systems of internal financial control are effective and operating as intended.

5. Legal Implications

- 5.1. There are no direct legal implications arising from this report. Internal audit supports the council's compliance with its legal obligations by providing assurance on whether systems are effective and operating as intended.

6. Risk Implications

- 6.1. This report directly supports East Suffolk Council's risk management arrangements by detailing how risk-based assurance will be provided in 2024/25. If the Committee does not approve an internal audit plan or audit charter in line with its terms of reference then the council may be unable to fulfil completely its statutory responsibilities for assurance and governance.

7. Options

- 7.1. There are no options to be considered in relation to this report.

8. Recommendations

- 8.1. That the Audit and Governance Committee:
1. Reviews and approves the Internal Audit Strategy and Plan 2024/25 (Appendix A of this report)
 2. Reviews and approves the updated Internal Audit Charter (Appendix B of this report)

9. Reasons for Recommendations

- 9.1. To fulfil the terms of reference of the Audit and Governance Committee

10. Conclusions/Next Steps

- 10.1. The Head of Internal Audit is responsible for incorporating any required amendments and implementing the Committee-approved Internal Audit Strategy, Plan and Charter in time for them to take effect from 01 April 2024.

Areas of consideration comments

Section 151 Officer comments:

Not applicable

Monitoring Officer comments:

Not applicable

Equality, Diversity and Inclusion/EQIA:

Not applicable

Safeguarding:

Not applicable

Crime and Disorder:

Not applicable

Corporate Services implications:

(i.e., Legal, Finance, Procurement, Human Resources, Digital, Customer Services, Asset Management)

All corporate services are required to support Internal Audit with unrestricted scope, the necessary resources and access to information to enable it to fulfil its function. The Internal Audit Plan and Charter explain how internal audit will work with corporate services and departments to minimise any resource implications.

Residents and Businesses consultation/consideration:

Not applicable

Appendices:

| | |
|-------------------|--|
| Appendix A | Internal Audit Strategy and Plan 2024-25 |
|-------------------|--|

| | |
|-------------------|-----------------------------|
| Appendix B | Internal Audit Charter 2024 |
|-------------------|-----------------------------|

Background reference papers:

None

Internal Audit Plan 2024/25

Internal Audit Strategy and Annual Plan

1. Internal Audit Strategy

The Internal Audit Strategy is the way the Internal Audit team delivers the services needed by East Suffolk Council. It sets out how internal audit supports and builds a better organisation and supports the Strategic Plan.

Internal Audit's strategic priority is to meet the assurance needs of the Audit and Governance Committee via the Head of Internal Audit's Annual Opinion. The focus of internal audit activity planned for the 2024/25 financial year is the provision of assurance and consultancy reviews, delivered via the Internal Audit Plan.

Other activities will be undertaken as directed by the Head of Internal Audit for the purposes of

- (1) delivery of the Internal Audit Plan,
- (2) development of the Internal Audit function,
- (3) compliance with Public Sector Internal Audit Standards and East Suffolk Council's Internal Audit Charter, or
- (4) organisational needs.

During 2024/25 the Head of Internal Audit will also commission an External Quality Assessment to confirm ongoing compliance with internal audit standards.

Internal Audit undertakes a wide variety of functions to support the Council and add organisational value in line with its strategic priorities:

| Audit Function | Purpose and Value |
|--------------------------------|--|
| Assurance Reviews | The primary role of internal audit. Independent, evidence-based reviews of governance, risk management and control processes. |
| Consultancy Reviews | Advisory services to support improvement in governance, risk management or control processes. Includes formal due diligence exercises |
| Due Diligence / Observation | Verifies Management have followed correct governance, risk management or control processes. Used for ongoing corporate activities or smaller ad hoc projects where a formal audit opinion or report is not required. |
| Governance Support | Provision of strategic advice and guidance on governance, risk, and internal control. Attendance at corporate meetings. |
| Advice and Guidance | Provision of operation-level advice and guidance on governance, risk, and internal control where a formal consultancy review is not required |
| Audit and Governance Committee | Preparation and presentation of reports to the Audit and Governance Committee. Provision of training to Members. Provision of advice and support to members of the Committee. |

Internal Audit Strategy and Annual Plan

| | |
|--|---|
| Internal Management | Day to day management of the internal audit function. Ongoing quality control of audit services. |
| Internal Quality Assessment | Self-assessment of internal audit services for quality assurance purposes. Required periodically for conformance with Public Sector Internal Audit Standards. |
| Internal Training, Development and Awareness | Building knowledge and awareness within the Internal Audit team. Provides an understanding of developments that may affect the Council, its risk profile and assurance needs. Knowledge sharing within the organisation. Liaison with other Internal Audit leaders to share and develop knowledge and professional best practice. |
| External Audit liaison | Meetings and liaison with the Council's External Auditor. Efficient and effective communication for the provision of organisational assurance. |
| National Fraud Initiative (NFI) | The Cabinet Office is the national lead for the NFI, a national data matching exercise. Internal Audit and Corporate Fraud work jointly and lead on the Council's NFI activity |
| Counter Fraud Support | Joint working with the Corporate Fraud team. Provision of data analysis, insight into previously audited internal processes, and ad hoc support to investigations. |
| Follow up of Agreed Actions | Independent, evidence-based assurance that agreed management actions to improve governance, risk management or control processes have been effectively implemented. |

2. Internal Audit Plan

The Audit and Governance Committee is responsible under the Council's Constitution for an "independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards". Internal Audit is responsible for the delivery of assurance within the Council and to the Audit and Governance Committee. It adheres to national and international standards of best practice within the field of professional internal auditing in order to plan its work and provide an annual assurance opinion to the Committee.

The Public Sector Internal Audit Standards and accompanying Local Government Application Note set out in detail how a plan should be developed. East Suffolk Council's Internal Audit service also places great weight on best practice guidance provided by the national and global Institute of Internal Auditors. It must be recognised that in developing a plan the standards and guidance reflect two competing priorities: **Defined Expectations** and **Flexibility**.

In order to deliver the strategic priority of assurance to the Audit and Governance Committee, Internal Audit has historically requested that the Committee approve an annual internal audit plan that breaks down planned assurance work into its individual components. This supports the requirements of the Standards in setting out what the Internal Audit service intends to deliver.

Internal Audit Strategy and Annual Plan

However, since the COVID-19 pandemic in 2020, the Council and its Internal Audit service has had to adapt to an unprecedented level of change. This presents numerous challenges since the detailed audit plan approved in March only reflects the risks and assurances identified at that point in time.

In order to develop greater flexibility and provide an appropriately responsive service to the council, from 2023/24 the Internal Audit service has shifted the balance towards an increase in flexibility. This has, by definition, scaled back the level of defined expectations that the Committee had been accustomed to in previous years. However, this is essential to ensure the Committee receives a fair and accurate understanding of the annual plan for the year and how it will be managed to deliver the assurance necessary for the Council's good governance.

To maintain efficient service delivery and flexibility for both Internal Audit and the wider organisation, Internal Audit requests the Audit and Governance Committee continues with the new system of internal audit delivery for 2024/25. The refreshed approach maintains the underlying principles of risk-based auditing and transparency to the Committee, allows the Head of Internal Audit to complete a comprehensive, risk-based plan of sufficient depth and breadth to deliver an annual opinion, but moves the service to an adaptive approach by removing the restrictions associated with a formal, defined annual plan.

Instead of a single annual audit plan approved before the financial year begins, the new approach results in list of potential audits that is actively maintained throughout the year. Where Internal Audit knows an audit must be completed it is presented as an “**Essential**” assurance need in this report. All other auditable risks in the Council are incorporated into the list and assigned a level of “Assurance Need” ranging from Low to High. The list will be updated on an ongoing basis with formal refreshes completed each quarter and audits will be selected based on the need for assurance using the factors set out in the “How the Audits will be delivered” section of this Annual Plan report.

Annual Plan requirement:

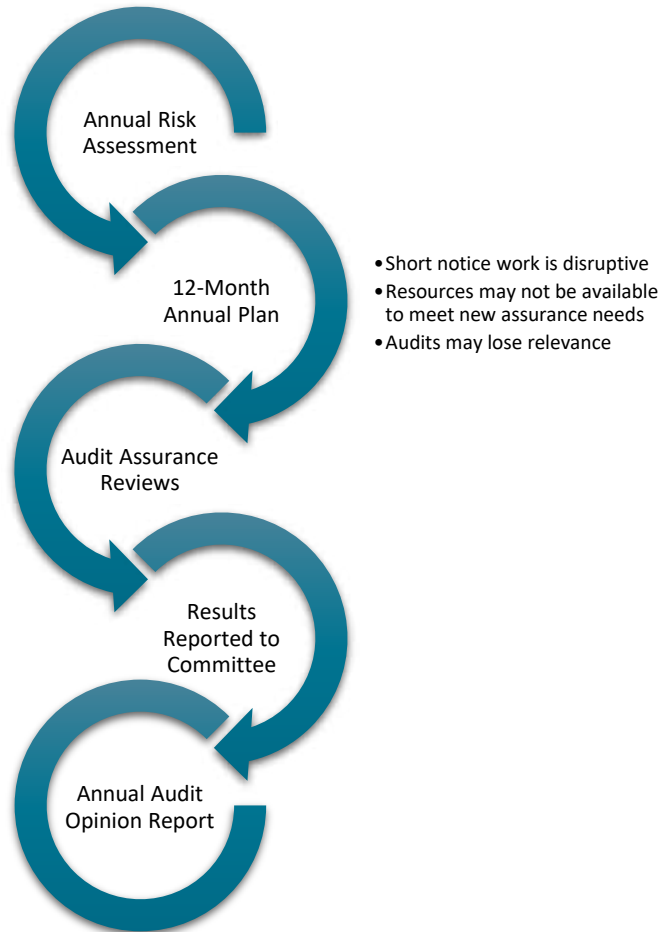
The PSIAS require the CAE [Chief Audit Executive] to develop a risk-based plan ... It should outline the assignments to be carried out, their respective priorities and the estimated resources needed.

The risk-based plan should be fixed for a period of no longer than one year and should be sufficiently flexible to reflect the changing risks and priorities of the organisation. Internal auditors should keep risks under regular review and consider how their audit plans should respond to changing risks. This may result in more frequent reviews of the plan or for plans to cover periods of less than one year.

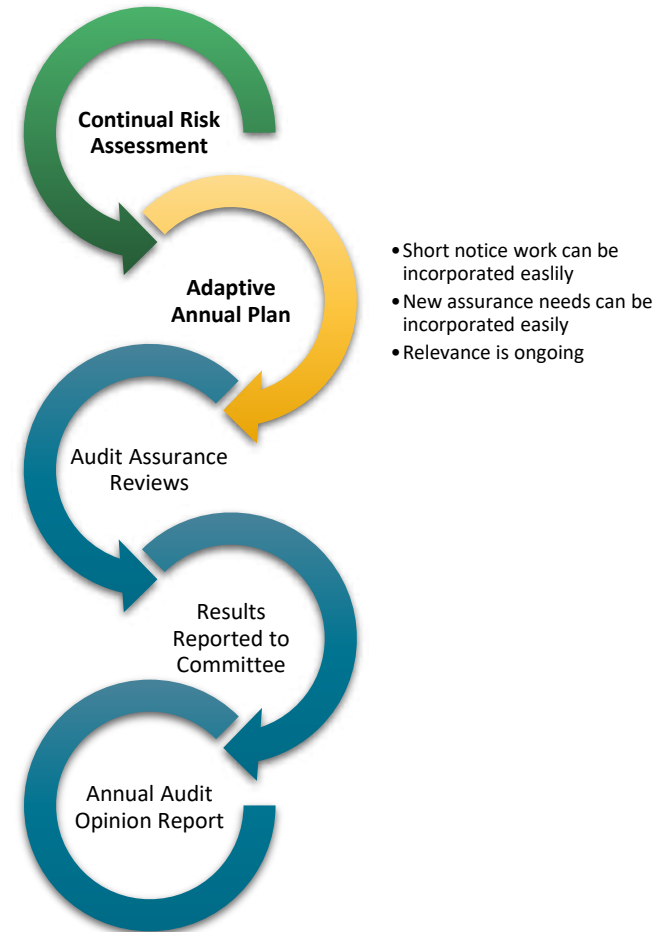
- This is a selected extract from the Local Government Application Note 2019

Internal Audit Strategy and Annual Plan

HISTORICAL AUDIT PROCESS



REFRESHED AUDIT PROCESS FROM 2023/24 ONWARDS



Internal Audit Strategy and Annual Plan

2.1 Audit Plan: Essential Annual Assurance Needs

The risk assessment undertaken in February 2024 identified several areas where an audit can be considered mandatory in upcoming year. This comprises work that:

- Is required due to formally agreed commitments, such as service level agreements, project terms of reference, or Cabinet resolutions
- Is considered by the Head of Internal Audit to be mission critical due to associated risks and impact
- Is required as part of grant funding conditions
- Relates to previously agreed actions that are corporately significant and are due to be completed in the upcoming financial year

Audits relating to essential assurance needs would only be deferred in exceptional circumstances and therefore the Audit and Governance Committee can expect audits providing assurance as listed below to be completed during 2024/25:

| Service Area | Audit Title | Purpose of Audit |
|--|---|--|
| Corporate | Freeport East Governance | Internal Audit assurance has been agreed with Senior Management |
| Economic Regeneration and Development | Changing Places Fund Certification | The Head of Internal Audit is required to certify grant expenditure as a condition of funding |
| | Towns Fund Projects | Internal Audit assurance has been agreed as part of the Project Business Cases approved by Cabinet |
| Environmental Services and Port Health | Neoma Project due diligence | Internal Audit due diligence is required as part of the project's terms of reference |
| Finance | Key Financial Systems | Assurance that key controls are in place and operating as expected. |
| | Business Rates (NDR) | Assurance that key controls are in place and operating as expected. Internal Audit is committed to this audit as part of reciprocal arrangements for assurance agreed with five Partner Authorities of the Anglia Revenues Partnership |
| | ARP Enforcement (Bailiff Services) | Assurance that key controls are in place and operating as expected. Internal Audit may be potentially undertaken to support Fenland District Council as part of reciprocal arrangements for assurance agreed with five Partner Authorities of the Anglia Revenues Partnership |
| Housing | Disabled Facilities Grant Certification | The Head of Internal Audit is asked to certify grant expenditure as a condition of funding |
| | HRA Housing Repairs (Compliance) | Assurance that key controls are in place and operating as expected. |
| Operations | Commercial Rents (Income) | Review of new processes |
| | Coastal Partnership East Contracting | Review of new processes |

Internal Audit Strategy and Annual Plan

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|---------------------------------|--------------------------------|--|
| Planning and Coastal Management | Planning Enforcement Follow up | Assurance that previously agreed improvements due to be completed in April 2024 and of significant importance to the Council have been effectively implemented |
|---------------------------------|--------------------------------|--|

2.2 Audit Plan: High, Medium and Low Assurance Needs

In addition to its auditable areas with essential assurance needs, the Council has a significant number of other assurance needs across the organisation.

During 2024/25 audits will be selected for formal assurance review using professional criteria to categorise and prioritise each individual need in line with the factors given on the right with high, medium, and low assurance needs.

Discretion is applied to ensure the audits selected cover the majority of Council service areas, deliver against expected assurance needs, and are also timed to avoid peak workloads for service delivery within the teams being audited or “assurance fatigue”.

Audits are agreed with the relevant service area prior to commencement in order to confirm that the objectives and risks identified by the internal audit risk assessment remain correct and relevant at the point of the audit.

The approach will ensure the Head of Internal Audit has sufficient depth and breadth of assurance to provide the Annual Audit Opinion at the end of the year.



The assurance needs of the organisation are prioritised and collated into a plan of intended work. If nothing were to change the audits that are in bold below would be the audits prioritised by Internal Audit for delivery within the year. The remainder are examples of other audits where the assurance assessment within the service area indicates a potential need for assurance, based on the factors given on page 12. This list is subject to change and will be adjusted throughout the year to balance the needs of service areas, the Committee’s need for assurance, and the resources necessary to deliver each individual audit. It gives the Committee and service areas an understanding of where the Internal Audit service may focus its resources during 2024/25.

Internal Audit Strategy and Annual Plan

| | | | | | |
|---|--|---|-----------------------------------|---|--------------------------------|
| CLT / Chief Executive / Corporate Services | Procurement | ESSL Performance and Delivery | Grant Funding Processes | Staff Competencies, Recruitment and Retention | Subsidy Control |
| Communities | Anti Social Behaviour | Feel Good Suffolk | Leisure Partnerships | Supporting vulnerable residents | Domestic Homicide Reviews |
| Digital, Programme Management & Customer Services | Cyber Security | Business Continuity and Disaster Recovery Planning | Remote Access and Security | Service Dest Management (Starters and Leavers) | User Access Management |
| Economic Regeneration & Development | East Suffolk Towns Initiative (ESTI) Fund | UK Shared Prosperity Fund (Assurance) | Heritage Action Zone Projects | Felixstowe Vision Project | Sizewell C Grant Funding |
| Environmental Services | Port Health Cyber Essentials | Water Quality and Internal Drainage Boards | Fly-tipping Grant | Public Health Burials | Customer Alert List Management |
| Finance | Credit Card Use | Use of Consultants | Discretionary Housing Payments | Treasury Management | Capital Accounting |
| Housing | Homelessness Grant | HRA Housing Repayments to Tenants | HRA CORE Reporting | HRA Fire Risk Management | HRA Housing Development Sites |

Internal Audit Strategy and Annual Plan



| | | | | | |
|---------------------------------|---|---|---|---------------------------|-------------------------|
| Legal and Democratic Services | Licensing and Regulation – Alcohol | Licensing and Regulation - Gambling | Member Professional Development | Members Allowances | Officer Code of Conduct |
| Operations | Civil Parking Services | CCTV Governance | Green Waste | Asset Management | Southwold Harbour |
| Planning and Coastal Management | Community Infrastructure Levy | Lowestoft Flood Risk Management Project | Coastal Management Partnership Governance | Building Control Delivery | S106 Agreements |

Internal Audit Strategy and Annual Plan



2.3 Audit Plan: Collaboration and Assurance from Third Party Assurance Providers

The Head of Internal Audit is accountable for any assurance used to support the annual audit opinion, including assurance from internal audit service providers external to East Suffolk Council. Coordinating audit activities and relying on the work of other service providers allows greater efficiency but is only possible where the Head of Internal Audit is satisfied that the assurance meets audit quality standards. The following assurance from third party internal audit service providers has been agreed for 2024/25:

| Service Area | Audit Title | Purpose of Audit | Internal Audit Service Provider |
|--------------|---|--|---------------------------------|
| Finance | Council Tax Billing and Housing Benefits | Assurance over the key financial controls in place for council tax and housing benefits. | West Suffolk Council |
| | Council Tax and Recovery of Benefits Overpayments | Assurance over the key financial controls in place for council tax and housing benefits. | |
| | Bailiff Services | Assurance over the key financial controls in place for ARP Enforcement Agents. | Fenland District Council |

How the Internal Audit Strategy and Plan were Developed

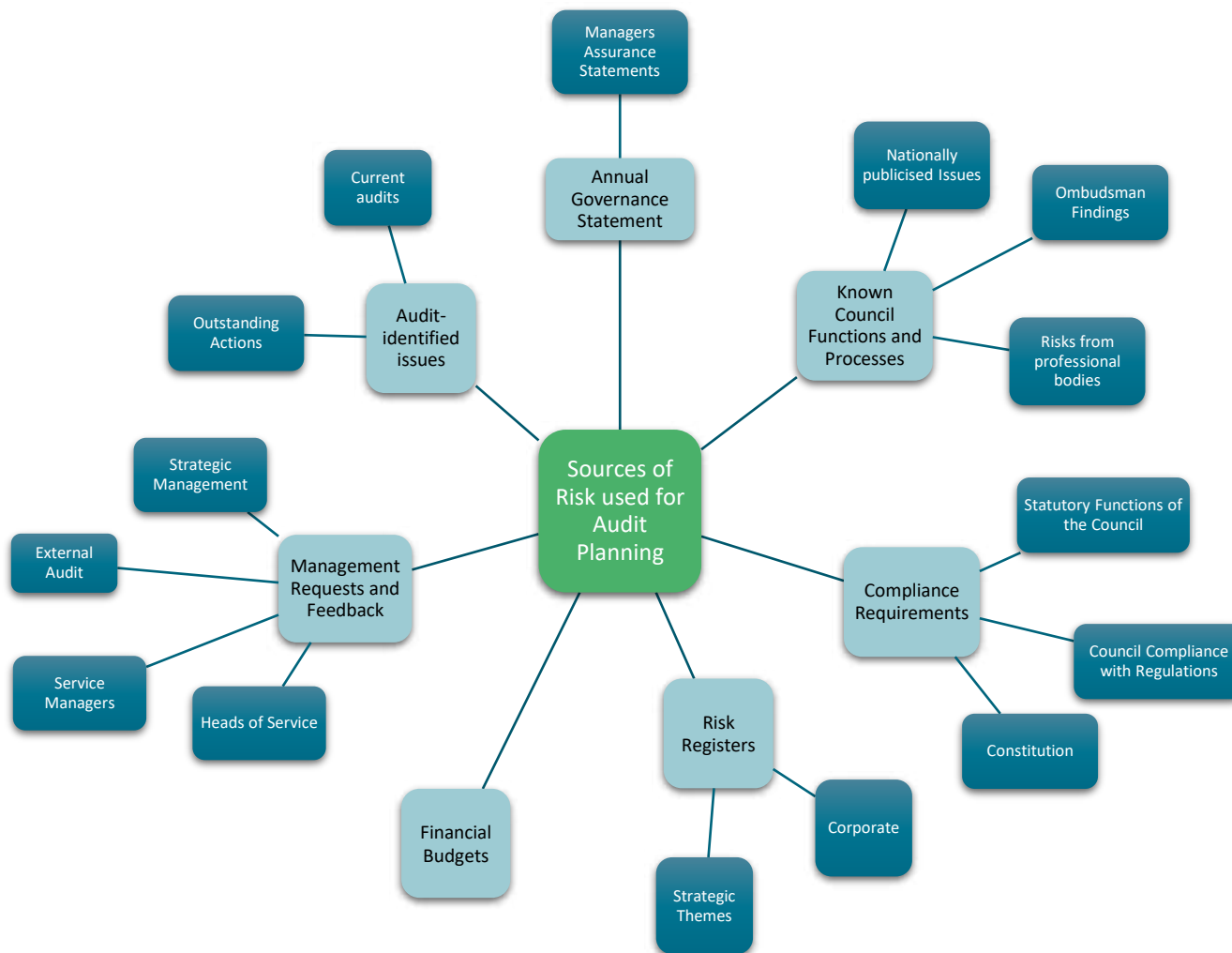
3. Risk Review and Maturity Assessment

Prior to developing an overall audit strategy, the Internal Audit service must assess the risk capabilities and maturity of the organisation to identify what degree of reliance can be placed on Management’s own risk management functions. This is a process to assist Internal Audit in developing an internal audit strategy. It is not a formal assurance assessment nor used to inform the annual audit opinion.

Leading into the 2024/25 year Internal Audit concluded that East Suffolk Council has the expected aspects of a risk management framework but has observed some instances where risks have emerged that were previously believed to have been mitigated.

Internal Audit will therefore rely on a combination of the Council’s internal risk management systems to identify potential assurance needs but will also undertake its own analysis to ensure coverage is sufficient for assurance purposes.

The sources of risk used for audit planning purposes, comprising both those used by management and those from the Internal Audit service’s own risk matrix, are provided via the diagram on the right.



How the Internal Audit Strategy and Plan were Developed

4. Categorisation and Prioritisation of Assurance Needs



Internal Audit best practice sets out that once sources of risk have been reviewed to identify assurance needs, those assurance needs are categorised and prioritised. At East Suffolk Council the adopted approach is:

- **Categorise:** Each assurance need is categorised by service area.
- **Prioritise:** Each assurance need is prioritised by the following factors:
 - **Financial Impact**
 - **Inherent Corporate Significance**
 - **Need for Regulatory Compliance**
 - **Newness / Degree of Confidence in Existing Processes**

The prioritisation process results in outcomes of



Internal Audit will combine the results of both categorisation and prioritisation to determine, direct and control the assurance and consultancy activities of the team in a cost-effective and efficient manner, as set out below in the section “How the Audit Plan will be Delivered”.

How the Internal Audit Plan will be Delivered



Internal Audit will monitor the Council’s potential audits and assurance needs throughout the year. Formal reviews to review any changes and select audits will take place each quarter. Strategic Management and Heads of Service will also be invited to provide formal feedback mid-year.

Internal Audit aims to complete at least one audit in most service areas throughout the year. However, this is balanced by the need to address corporate assurance needs in priority areas and it is possible that some service areas may not be audited where there is low corporate need for assurance in that area.

Internal Audit expects that throughout the year assurance audits will be comprised of:

- **Essential** assurance needs. All essential assurance needs are expected to be met via an assurance audit, unless due to changing circumstances the level of assurance need reduces.
- **High** assurance needs. These are areas where there is a significant impact and/or recognition that risks are present. During the annual audit year the majority of Internal Audit’s work after completing Essential assurance needs will be in response to High assurance needs.
- **Medium** assurance needs. These are typically areas that are established and considered to be managed well but have a high impact if controls are found not to be effective. Some audits are expected to address Medium assurance needs during the year due to the principle “In Local Government there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate.”¹

Internal Audit does not expect to address Low assurance needs as part of this year’s audit plan.

¹ Northamptonshire County Council Best Value Inspection 2018

How the Internal Audit Plan will be Delivered

5. Approach to Individual Audits

All Internal Audit work will comply with the Internal Audit Charter approved by the Audit and Governance Committee.

Prior to each audit assignment, a Lead Auditor will be allocated. The Lead Auditor is at the grade of Senior Auditor or above to ensure each audit is overseen by an officer with appropriate professional skills, qualifications, knowledge, and experience. The Lead Auditor will review the assurance needs identified at the quarterly selection stage and verify that the individual audit assignment addresses organisational objectives and links to the Strategic Plan, current risks, and their mitigation. These are formally documented in a “Pre-Audit Risk Assessment” and are fundamental to the scoping of the audit work. Resources necessary to deliver each audit will be reviewed and allocated upon approval of the Audit Manager.

Each audit will be scoped with the involvement of the relevant service areas unless exceptional reasons not to do so exist. Audits will be undertaken against documented terms of reference that are prepared by the Lead Auditor and approved by the Head of Internal Audit. Terms of reference are shared with the relevant Service Manager and Head of Service prior to each audit so that key stakeholders are able to comment on the expected nature, timing, and reporting of the work before it starts.

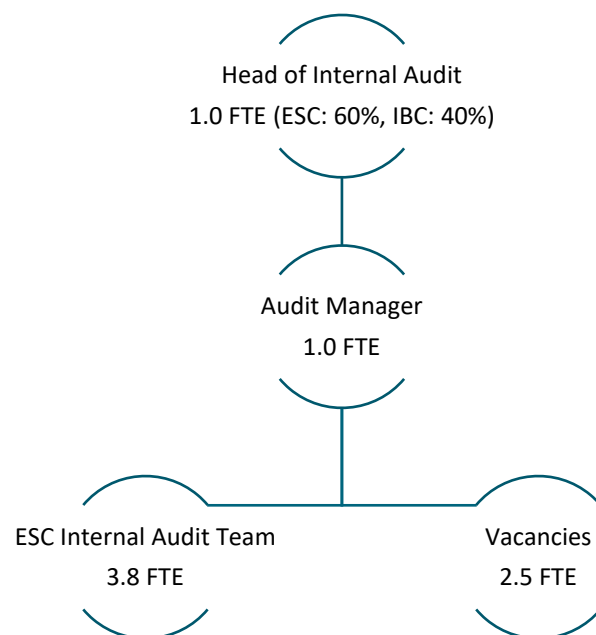
This approach places greater emphasis on the individual audit risk assessments and encourages greater tailoring of assurance needs than the previous process of annual strategic-level review. Internal Audit’s aim is to build upon and enhance the responsiveness and quality of assurance given to Audit and Governance Committee and the organisation as a whole.

Internal Audit expects that all audits will be developed through this process, although it is important to note that although Internal Audit supports and seeks to accommodate the needs of service areas wherever possible the Internal Audit service must also remain unfettered and free from interference.

Where assurance is considered important to support the Audit and Governance Committee’s purpose but an agreement to complete assurance work cannot be obtained from the relevant service area, the Head of Internal Audit will first seek resolution via Strategic Management and if this cannot be obtained will refer the matter to the Chair of the Audit and Governance Committee.

How the Internal Audit Plan will be Delivered

6. Internal Audit Resources and Staffing



Total Productive Audit Days Available: 681

The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. It is a requirement of PSIAS that “internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan”. A careful balance must be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage that must be undertaken.

East Suffolk Council’s Internal Audit service comprises a team led by the Council’s Audit Manager. The team includes staff qualified in Internal Audit, Accountancy and Counter Fraud, providing a wide range of skills and knowledge to support and deliver the annual plan.

Since 1 June 2004 Internal Audit Service has worked in partnership with Ipswich Borough Council (IBC). The partnership has enabled greater operational efficiency and effectiveness in the delivery of Internal Audit Services and provides the opportunity for each partner to call upon a wider skills base, which can be used to achieve greater flexibility, resilience, and effectiveness in all areas of audit operations.

The service currently has vacancies for the roles of:

- 1 FTE Senior Auditor
- 1 FTE Auditor (Career Grade)
- 0.5 FTE Principal ICT Auditor. Technical assurance needs are temporarily being considered by a specialist external consultant.

Although the service has current vacancies, the Head of Internal Audit will review recruitment needs during 2024/25 to ensure that sufficient resources will be available to provide the annual audit opinion.

The Head of Internal Audit will coordinate assurance and may use assurances from other parties if she is satisfied that an external service provider can meet the competency, objectivity and due professional care standards required of professional internal audit. A written understanding of the scope, objectives and results of any work performed will be agreed prior to commissioning any assurance work from a service provider external to East Suffolk Council.



East Suffolk Council

INTERNAL AUDIT CHARTER

Effective from April 2024

1. INTRODUCTION

- 1.1 This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service across East Suffolk Council.
- 1.2 The Internal Audit function is a requirement of Regulation 5 of the Accounts and Audit (England) Regulations 2015, which requires local authorities to undertake “effective internal audit to evaluate the effectiveness of its risk management, control and governance processes”. This supplements Section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs.
- 1.3 The Audit and Governance Committee has overall responsibility for providing independent assurance as to the adequacy of the risk management framework and the Council’s internal controls. All auditing activity within the Council is accountable to the Audit and Governance Committee.
- 1.4 The Head of Internal Audit will periodically review this Charter and present it to the Audit and Governance Committee and senior management at least every two years.

2. THE MISSION OF INTERNAL AUDIT

- 2.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within the Council. All audit activity is designed to support and achieve the Mission:

“To enhance and protect organisational value by providing risk-based independent and objective assurance, advice, and insight.”

- 2.2 To deliver the Mission, Internal Audit is further defined as providing:

“... an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

3. GOVERNANCE OF INTERNAL AUDIT

3.1 Internal Audit within the public sector has a statutory duty to take into account public sector internal auditing standards or guidance. These are CIPFA's Public Sector Internal Audit Standards (PSIAS), and Local Government Application Note (LGAN).

3.2 A public sector requirement of the PSIAS is for this Charter to define the terms 'board' and 'senior management' for the purpose of internal activity.

3.2.1 The Board

In accordance with CIPFA guidance, the Council's Audit and Governance Committee will perform the function of the Board. The Audit and Governance Committee's role and responsibilities, including those for overseeing Internal Audit activity, are set out in the Council's Constitution.

3.2.2 Senior Management

At East Suffolk Council, the Corporate Leadership Team (CLT) will perform the function of senior management.

3.3 In addition, there are a number of key roles within the Internal Audit function:

3.3.1 Head of Internal Audit

The Head of Internal Audit (HOIA) is responsible for establishing and effectively managing the provision of Internal Audit. Details of the HOIA's responsibilities and authority are set out in the Council's Constitution and this Audit Charter.

3.3.2 Internal Auditor Officers

Internal Audit Officers are responsible for delivering internal audit services under the direction of the HOIA.

3.4 Where there is a conflict of standards, the PSIAS set out above within this Charter will take precedent.

4. SCOPE OF INTERNAL AUDIT

4.1 Internal Audit is a valuable asset, contributing to the Council's achievement of corporate objectives by promoting the identification and management of risk, strengthening the control environment, and fostering good governance practices.

4.2 In line with the Council's Constitution, Internal Audit has unrestricted scope to fulfil its Mission. Internal Audit's remit includes the whole of the organisation's control environment and activities. This includes access to delegated or contracted out services where the Council remains accountable.

4.3 Internal Audit may rely on assurance from other providers, where professional standards allow, and the assurance is relevant to the activities of the Council.

- 4.4 Internal Audit supports the Council's counter fraud activities by providing resources where required. The Corporate Fraud Team retains responsibility for directing fraud-related activities, such as investigation of irregularities or pro-active exercises.
- 4.5 Internal Audit provides assurance in accordance with the Annual Plan approved by the Audit and Governance Committee. It may also provide consultancy services, giving advice and guidance to management, subject to there being no impact on the core assurance work and the availability of skills and resources.
- 4.6 Internal Audit services may also be provided to organisations beyond this Council, where agreed in writing, and subject to there being no impact on the core assurance work.

5. RESPONSIBILITIES AND OBJECTIVES OF INTERNAL AUDIT

5.1 To meet its mission, responsibilities and objectives Internal Audit will:

- Review and assess the soundness, adequacy and reliability of financial and non-financial management and performance systems, and quality of data that support the controls (including those for risk management, corporate governance and ethical framework) established for the proper administration of the Council's activities.
- Review and assess the effectiveness of internal controls and agree actions to improve where appropriate.
- Review and assess procedures to check the Council's assets and interests are properly accounted for, adequately protected and risks are identified and effectively managed.
- Check for the extent of compliance with legislation, council policies, plans and procedures to ensure that good standards of management are maintained and that decisions taken by the Council, its committees and management are correctly applied.
- Examine, review, appraise and report upon the application of proper authorisation within the delegated authorities given by the various levels of management.
- Promote and assist the Council in the economic, efficient and effective use of resources to in the achievement of the Council's corporate objectives. This includes the provision of any consultancy (advice, facilitation, training etc) work as well as assurance services.
- Undertake independent investigations into allegations of fraud and irregularity in accordance with the Council's policies and procedures and relevant legislation.
- Maintain effective relationships with the managers. Regular meetings will be held with key stakeholders and management will be consulted during the audit planning process. Timing of audit work will be in conjunction with management.
- Take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Head of Internal Audit will establish a dialogue with representatives of the appropriate inspection agencies.
- Maintain an established working relationship with the External Auditor where internal and external audit can rely on each other's work, subject to the limits determined by

their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Regular meetings will be held, and plans and reports shared.

5.2 The Head of Internal Audit will

- establish a working relationship with members, in particular with members of the Audit and Governance Committee. The Head of Internal Audit has the right to meet privately with the Chairman of the Audit and Governance Committee, if desired.
- maintain an effective working relationship with the Chief Financial Officer who leads and directs financial strategy and operations.

6. INDEPENDENCE AND OBJECTIVITY

6.1 Internal Audit must be independent of the organisation, so that it can provide objective, impartial and effective professional judgements at the individual auditor, engagement, functional and organisational levels.

6.2 At the functional and organisational levels:

- The Audit and Governance Committee receives reports directly from the HOIA, as set out in the Council's Constitution
- Internal Audit will have no direct operational responsibility or authority over any audited operational process where appropriate safeguards do not exist. Internal Audit will not develop, install systems and procedures, prepare records or engage in any other process that could be considered an auditable activity, without appropriate safeguards in place.
- The HOIA has a direct reporting line to the Audit and Governance Committee, with free and unfettered access to the Council's Chief Executive and Chair of Audit and Governance Committee.
- Line management and performance appraisal of the HOIA by the Chief Executive includes feedback from the Chair of the Audit and Governance Committee.
- Where Internal Audit is responsible for an activity that could be considered auditable (such as the administration of Data Protection tasks, or Counter Fraud), safeguards to limit impairments of independence and objectivity will be put in place. These may include:
 - Obtaining Audit and Governance Committee approval of additional activities, where they are of significant importance or impact.
 - Informing the Audit and Governance Committee and/or senior management of additional activities, where they are of minor significance.
 - Clearly avoiding reference to independence or assurance in reports relating to additional activity, so that the additional activity is not confused with audit work.
 - Periodic review to confirm the arrangement continues to be appropriate, to be considered by the Audit and Governance Committee.

- Requesting third parties to undertake independent assurance reviews of the additional activity on the Council's behalf.
- Internal Audit's Annual Plan is determined and approved by the Audit and Governance Committee, although input from senior management will be sought during the development of proposals.

6.3 At the individual auditor and engagement levels:

- Internal Audit officers must comply with the professional standards set out in Section 7.
- Internal Audit officers must maintain an impartial and unbiased attitude, avoiding any conflict of interest. Internal Auditors will notify the HOIA immediately if they become aware of any conflict of interest or appearance of a conflict of interest.
- Where assurance is to be provided, any Internal Audit officer with a potential conflict of interest will not have responsibility for any part of the audit. Where Internal Audit is providing consultancy, the potential conflict of interest will be disclosed to senior management before work is commenced.
- Work shall not be allocated to Internal Audit officers who have had operational responsibility for the audited area within the last 12 months.
- Peer review of all assurance work will be undertaken before it is reported to management.
- Internal Audit officers will declare any offers any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties, which may be accepted only on the express authorisation of the HOIA, having taken into account Council policies, conflicts of interest, and the appearance of bias.

7. PROFESSIONAL STANDARDS

7.1 All members of the Internal Audit team will comply with the professional standards as set out in the PSIAS:

- Definition of Internal Auditing
- Code of Ethics, including the four principles of:
 - integrity
 - objectivity
 - confidentiality
 - competency
- The Seven Principles of Public Life and
- The Public Sector Internal Audit Standards themselves

7.2 Internal Audit will safeguard information received in carrying out its duties. Any information gained during the audit work will remain confidential, without limiting or preventing Internal Audit from reporting within the Council as appropriate. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information will not be used for personal benefit.

8. INTERNAL AUDIT RESOURCES

- 8.1 Internal Audit must have appropriate, sufficient, and effectively deployed resources to achieve the approved plan.
- 8.2 If the HOIA concludes that resources are insufficient, for example due to lack of staff or funding, this will be reported to the Chief Executive. If the position is not resolved and the level of resources will adversely impact on the provision of the annual audit opinion, the HOIA must report this to the Audit and Governance Committee, who have ultimate power to report this to Full Council.
- 8.3 The Head of Internal Audit is responsible for appointing the staff for the Internal Audit Service and will ensure that appointments are made to achieve the appropriate mix of knowledge, qualifications, experience, audit skills and other competencies.
- 8.4 The HOIA will ensure that Internal Audit officers complete Continuing Professional Development to develop and maintain the required mix of knowledge, skills and competencies. Internal Auditors training and personal development needs are established through an appraisal process.

9. INTERNAL AUDIT ACTIVITY AND DELIVERY

- 9.1 The HOIA will undertake and document an annual risk assessment, taking into account:
 - The need to provide an annual audit opinion
 - The Council's risk management framework
 - Input and feedback from senior management
 - The Council's strategies, key objectives, and risks
- 9.2 The HOIA will use the risk assessment, taking account of available resources and opportunities to add value, to develop an annual risk-based internal audit plan for the Audit and Governance Committee to review and approve prior to the commencement of each financial year.
- 9.3 The approved annual risk-based internal audit plan shall be kept under review during the year, including formal quarterly refreshes. The HOIA may make adjustments to the plan in response to the changes within the Council's business, risks, operations, programmes, systems, or control environment. Significant adjustments to the approved annual risk-based internal audit plan will be agreed with the Audit and Governance Committee.
- 9.4 Formal audit reports will be issued at the completion of each individual audit assignment included in the approved annual risk-based internal audit plan. The report provides management with an assurance opinion on the adequacy of the reviewed internal control system to manage risks effectively, and details significant audit findings, conclusions and agreed management actions. Senior management and relevant Portfolio Holders receive copies of all audit reports.
- 9.5 Formal audit reports issued to management will also be provided to the Audit and Governance Committee as they are completed throughout the year.
- 9.6 Where a need to make improvements is identified in a formal audit report, the relevant Head of Service is responsible for ensuring actions are considered and agreed promptly.

- 9.7 The relevant Head of Service is responsible for ensuring that any agreed actions address and correct the identified weakness and are completed promptly. Internal Audit monitors management's progress in completing action plans. Reports of progress against agreed actions will be provided to the Audit and Governance Committee throughout the year.
- 9.8 The HOIA will provide an annual summary of activity and an overall audit opinion to the Audit and Governance Committee. The report includes:
- The HOIA's annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control
 - information on the performance of the Internal Audit Service
 - significant issues related to the processes for controlling the activities of the Council.

The issue of this report is timed to support the annual review of the Council's Corporate Governance and production of the Council's Annual Governance Statement.

10. PROVISION OF INTERNAL AUDIT SERVICES OUTSIDE EAST SUFFOLK COUNCIL

- 10.1 The HOIA, where appropriate and resources allow, may provide audit services for organisations other than East Suffolk Council. Internal Audit services may be provided to public sector or quasi-public sector clients, such as other local authorities or wholly-owned companies.
- 10.2 All work for external organisations and the authority for Internal Audit to operate within that external organisation shall be agreed in writing between East Suffolk Council and the audit client in advance of services being provided. Typically this will be in the form of a contract, such as a partnership agreement or service level agreement.
- 10.3 Where internal audit services are provided to audit clients who have close ties with East Suffolk Council, the Head of Internal Audit will consider whether there is any risk of real or perceived impairment to independence or objectivity, and make appropriate disclosures according to the nature of the potential impairment.

11. AUTHORITY OF INTERNAL AUDIT

- 11.1 The Audit and Governance Committee, via approval of this Audit Charter and in line with the expectations of the Council's Constitution, endorses the authority of Internal Audit officers acting in proper pursuit of their duties.
- 11.2 The Head of Internal Audit has rights of:
- an unrestricted ability to plan and undertake audit assignments
 - direct access to the Chair of the Audit and Governance Committee
 - reporting directly and direct access to the Chief Executive
 - direct access to all Councillors
 - direct access to the Chief Finance Officer
 - direct access to the Monitoring Officer
- 11.3 The Head of Internal Audit and Internal Audit officers are authorised to have:
- Unrestricted access to all functions, records, property, and personnel
 - The necessary assistance of any officer within the Council to provide information or explanations as required

- The assistance of partner organisations and third-party suppliers where contract terms include internal audit access rights.

12. QUALITY OF INTERNAL AUDIT

- 12.1 The Internal Audit team operates a Quality Assurance and Improvement Programme, with periodic assessments to confirm the service operates effectively. External quality assessments shall be undertaken at least once every five years.
- 12.2 Results of external assessments are shared with the Chair of the Audit and Governance Committee. Results of internal assessments are incorporated into the Quality Assurance and Improvement Programme, a summary of which is reported to the Audit and Governance Committee annually.

13. FRAUD AND CORRUPTION

- 13.1 The HOIA is also responsible for counter fraud activities, which are delivered by through a separate counter-fraud specialist team.
- 13.2 Responsibility for the prevention and detection of fraud and corruption is a matter for all employees. The Anti-Fraud and Corruption Strategy and other supporting counter fraud policies set out the Council's approach.
- 13.3 This Charter supports the approaches for reporting suspected or detected fraud, corruption, maladministration, irregularity, misappropriation or impropriety to the HOIA set out in the Anti-Fraud and Corruption Strategy and Whistleblowing Policy.
- 13.4 Where the routine work of Internal Audit highlights a risk of fraud, this shall be included in the resulting audit report and an appropriate action agreed with management. Details of the concern may be referred to the Corporate Fraud Manager without prior notice to the service area.

| | |
|--|--|
| Committee | Audit and Governance Committee |
| Date | 11/03/2024 |
| Subject | Internal Audit Reports Recently Issued |
| Cabinet Member | Cabinet Member with responsibility for Resources and Value for Money, Cllr V Langdon-Morris Assistant Cabinet Member with responsibility for Resources and Value for Money, Cllr T Wilson |
| Report Author and Head of Service | Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk 01394 444254 |
| Chief Executive | Mr Chris Bally Chief Executive chris.bally@eastsoffolk.gov.uk 01502 523210 |

| | |
|-------------------------------|------|
| Key Decision? | No |
| Is the report Open or Exempt? | OPEN |

Purpose/Summary

Internal Audit reports are presented to the Audit and Governance Committee as a standing item to enable the Committee to fulfil its Terms of Reference:

‘To consider reports from the Head of Internal Audit on Internal Audit’s performance during the year. These will include updates on the work of Internal Audit including key findings, issues of concern and actions taken by management as a result of Internal Audit work.’

Recommendation(s)

That the Audit and Governance Committee notes the contents of the report and the internal audit reports provided as appendices:

- Disabled Facilities Grant (Certification) 2023-24

Strategic plan

How does this proposal support Our Direction 2028?

| | |
|---|--|
| Environmental Impact | See Our Foundations |
| Sustainable Housing | See Our Foundations |
| Tackling Inequalities | See Our Foundations |
| Thriving Economy | See Our Foundations |
| Our Foundations / governance of the organisation | The findings within each Internal Audit report are linked to good governance arrangements and practices at East Suffolk Council, which underpin the council’s strategic and operational activity. All Internal Audit reports contribute to the achievement of East Suffolk Council’s objectives set out in Our Direction 2028. |

Justification for recommendations

- 1. Background**
 - 1.1.** Internal Audit reports are independent, evidence-based documents that provide assurance on the level of governance in operation and a clear roadmap for improvement if required.
 - 1.2.** The Internal Audit reports attached have recently been issued to those listed on the report distribution list.

2. Introduction

- 2.1. Internal Audit reports have been prepared following the completion of specific assurance or consultancy activities that have been undertaken as part of the approved Internal Audit Annual Plan.
- 2.2. The completion of the Internal Audit Plan is an essential component of East Suffolk Council's governance arrangements. Individual audits are undertaken as part of the Internal Audit Plan and used as the basis for the Head of Internal Audit's annual opinion, which in turn contributes to the council's Annual Governance Statement.
- 2.3. The Audit and Governance Committee is provided copies of Internal Audit reports to assist it with all four of its four main functions, that it:
 - Provides independent assurance of the adequacy of the risk management framework and the internal control environment
 - Provides independent review of the Council's governance, risk management and control frameworks
 - Oversees the financial reporting and annual governance processes.
 - Oversees internal audit and external audit, helping to ensure effective relationships exist and efficient and effective assurance arrangements are in place.

3. Proposal

- 3.1. The Audit and Governance Committee has the opportunity to review details of organisational governance, risk management and internal control as detailed in the Internal Audit reports presented here as appendices, and provide comment as appropriate.

4. Financial Implications

- 4.1. Each Internal Audit report included as an appendix to this Committee report details financial implications where applicable.

5. Legal Implications

- 5.1. Each Internal Audit report included as an appendix to this Committee report details legal implications where applicable.

6. Risk Implications

- 6.1. Each Internal Audit report included as an appendix to this Committee report sets out the main risks associated with the scope and objectives of that individual audit.
- 6.2. Any significant findings within individual reports will clearly state the associated risk exposure for East Suffolk Council.
- 6.3. A crucial element within the council's risk environment is the implementation of the actions agreed by Management as part of the internal audit process, so that risks to Council objectives are mitigated.

7. Options

- 7.1. There are no options to be considered in relation to this report.

8. Recommendation

- 8.1. That the Audit and Governance Committee notes the contents of the report and the internal audit reports provided as appendices:
- Disabled Facilities Grant (Certification) 2023-24

9. Reasons for Recommendations

- 9.1. To enable the Audit and Governance Committee to fulfil its terms of reference effectively.

10. Conclusions/Next Steps

- 10.1. Not applicable

Areas of consideration comments

Section 151 Officer comments:

Not applicable

Monitoring Officer comments:

Not applicable

Equality, Diversity and Inclusion/EQIA:

Not applicable

Safeguarding:

Not applicable

Crime and Disorder:

Not applicable

Corporate Services implications:

(i.e., Legal, Finance, Procurement, Human Resources, Digital, Customer Services, Asset Management)

Not applicable

Residents and Businesses consultation/consideration:

Not applicable

Appendices:

| | |
|-------------------|---|
| Appendix A | Disabled Facilities Grant (Certification) 2023-24 |
|-------------------|---|

Internal Audit Report

ES/233

Disabled Facilities Grant Certification 2023/24 (relating to the 2022/23 Financial Year)



Issued by the Head of Internal Audit, December 2023

| | | |
|--------------------------------|--------------------|---|
| Audit Assurance Opinion | Effective | Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met. |
| | Reasonable | Some specific control weaknesses were noted, and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. |
| | Limited | Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. |
| | Ineffective | Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed. |

| | | |
|--------------------------|------------------------------|---|
| Distribution List | Accountable Officers: | Head of Housing, H Fisk Strategic Lead – Private Sector Housing, T Howarth |
| | For Information: | Chief Executive, C Bally Strategic Directors, K Blakemore, A Jarvis, N Khan Deputy Leader with responsibility for Housing, Cllr D Beavan Chief Finance Officer and S151 Officer, L Rogers Audit and Governance Committee External Auditor, M Russell |

Grant Compliance

| Grant Condition Summary | Opinion |
|---|---------------------------------|
| (1) Grants may only be used for capital expenditure. | Full compliance |
| (2) Grants are required to be spent in accordance with the Better Care Fund spending plan. | Full compliance |
| (3) The amount paid by Suffolk County Council (£2,721,389) must be passed in full to East Suffolk Council no later than 30 th June 2022. | Partial compliance ¹ |
| (4) Suffolk County Council (SCC) may retain part of the grant allocation, with the express permission of East Suffolk Council. | Not applicable ² |
| (5) Grants must only be used for the purpose of providing adaptations for disabled people who qualify under the scheme. | Full compliance |
| (6) Chief Executive or Chief Internal Auditor of SCC to complete a declaration | Not applicable ³ |
| (7) and (8) Repayment of grant to the Minister of State if notified | Not applicable ⁴ |

1. Executive Summary

- 1.1 The objective of the audit was to provide assurance, following appropriate investigations and checks, that the Council has complied in all significant respects with the conditions attached to the grant funding received and paid out.
- 1.2 The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management. Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
- 1.3 East Suffolk Council received £2,721,389 from Suffolk County Council (SCC) for 2022/23.
- 1.4 Suffolk County Council is required to provide an assurance declaration to the Department for Levelling Up, Housing and Communities (DLUHC) that Disabled Facilities Grant conditions have been met as per Grant Determination Letter 2022-23 [31/6092]. The Head of Internal Audit has used the results of this audit to provide assurance to SCC in support of their declaration.

¹ The payment of grant allocation was received from Suffolk County Council 7 July 2022, in exception to the grant determination condition that the Tier 1 authority must pay the grant amount to the Tier 2 authorities no later than 30 June 2022.

² The full grant allocation was paid to East Suffolk Council by Suffolk County Council.

³ Suffolk County Council are required to submit the declaration. The Head of Internal Audit has used the results of this audit to provide an assurance statement in support of their declaration.

⁴ At the time of review, no request for repayment of funds from East Suffolk Council has been received.

2. Supporting Details

2.1 Links to Council Service Delivery

This review considered achievement of the organisation's strategic objectives and risks, specifically this audit contributes towards:

- Business Objective - To administer Disabled Facilities Grants in accordance with grant conditions.
- East Suffolk Business Plan – Growing our economy, enabling our communities and remaining financially stable.
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balances Annual Budget due to uncertainty over Government funding.

2.2 Scope of Internal Audit Activity

Internal Audit assessed the following control areas during the course of the audit:

- Compliance with funding conditions
- Receipt of funds

This audit assessed systems and records in place from 1 April 2022 to 31 March 2023.

Internal Audit seeks to enhance and protect organisational value by providing risk based and objective assurance. Internal Audit assurance is a professional service focusing on functions, processes and controls. It does not replace professional advice from other key services such as the financial or legal functions. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2023/24, approved by the East Suffolk Council Audit and Governance Committee on 13 March 2023.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council's Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

| | |
|-------------------|---|
| Priority 1 | Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management. |
| Priority 2 | Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required. |
| Priority 3 | Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required. |
| Priority 4 | Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request. |

2.4 Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- Funds were spent in line with grant conditions 1, 2, and 5.

2.5 Audit Team

The audit team for this review comprised:

| | |
|-------------------|------------|
| Audit Manager | L Fuller |
| Senior Auditor | J Metcalfe |
| Assistant Auditor | L Maton |

2.6 Acknowledgements

We would like to thank the management and staff of the Housing team contacted for their co-operation and time during the course of this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.

WORK PROGRAMME 2024/25

8 July 2024

Open:

Minutes (AS)
External Audit Plan 2021/22 (EY)
2021/22 Audited Statement of Accounts (LR)
2021/22 Final Annual Governance Statement (LR/SM)
Draft Statement of Accounts 2022/23 (LR)
Draft Annual Governance Statement 2022/23 (LR)
Treasury Management 2024/25 Quarter 1 Report (LR)
Annual Internal Audit Report 2023/24 (SM)
Anti-Bribery, Fraud and Corruption Policy (SM)
Annual Senior Information Risk Owner (SIRO) Report (SM)
Corporate Fraud Annual Report 2023/24 (SM)
Corporate Risk Management Update (SL/SR/LR)
Internal Audit Reports Recently Issued (Open) (SM)

Confidential:

Minutes (Exempt) (AS)
Internal Audit: Status of Actions (SM)
Internal Audit Reports Recently Issued (Exempt) (SM)

30 September 2024

Open:

Minutes (AS)
Audited Statement of Accounts 2022/23 (LR)
Final Annual Governance Statement 2022/23 (LR)
External Audit Plan 24/25 (EY)
Treasury Management Outturn 2024/25 and Mid-Year Report 2024/25 (LR)
Code of Corporate Governance (SM)
Internal Audit Reports Recently Issued (Open) (SM)

Confidential:

Minutes (Exempt) (AS)
Internal Audit: Status of Actions (SM)
Internal Audit Reports Recently Issued (Exempt) (SM)

9 December 2024

Open:

Minutes (AS)
Capital Strategy (LR)
Treasury Management Strategy Statement for 2024/25 & Treasury Management Investment Strategy for 2024/25 (LR)
Corporate Risk Management Update (SL/SR/LR)
Revised Internal Audit Plan 2024/25 (SM)
Internal Audit Reports Recently Issued (Open) (SM)

Confidential:

Minutes (Exempt) (AS)
Internal Audit: Status of Actions (SM)
Internal Audit Reports Recently Issued (Exempt) (SM)

27 January 2025

Open:

Minutes (AS)

Confidential:

Minutes (Exempt) (AS)

10 March 2025

Open:

Minutes (AS)
Treasury Management 2024/25 Quarter 3 Report (LR)
Internal Audit Plan 2025/26 (SM)
Corporate Fraud Business Plan 2025/26
Data Protection Plan 2025/26
Internal Audit Reports Recently Issued (Open) (SM)

Confidential:

Minutes (Exempt) (AS)
Covert Investigation Policy (SM)
Internal Audit: Status of Actions (SM)
Internal Audit Reports Recently Issued (Exempt) (SM)

Reports to come before the Committee on a date to be confirmed: