

London Borough of Redbridge Completion Report for Those Charged with Governance

Years ended 31 March 2022 and 31
March 2023

Report issued – 20 November 2024



Governance and Assurance Committee
London Borough of Redbridge
Lynton House
259 High Rd
Ilford IG1 1NY

20 November 2024

Dear Governance and Assurance Committee

Completion Report for Those Charged With Governance

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Governance and Assurance Committee of London Borough of Redbridge (the Authority) with a detailed complete report covering our approach and outcomes of the 2021/22 and 2022/23 audits.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This decision is in line with ISA 200: Failure to Achieve an Objective 24.

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

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

In completing our work for these audit years, we have taken into account the SI and Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The Governance and Assurance Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

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

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

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stephen Reid', with a horizontal line underneath the name.

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

Enc

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

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

This report is made solely to the Governance and Assurance Committee of London Borough of Redbridge. Our work has been undertaken so that we might state to the Governance and Assurance Committee and management of London Borough of Redbridge 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 Governance and Assurance Committee and management of London Borough of Redbridge for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary – System wide and local context

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


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

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

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

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

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Authority's 2021/22 and 2022/23 financial statements. The proposed disclaimer of the Authority's 2021/22 and 2022/23 financial statements impacts the audit procedures that we have planned and undertaken to gain assurance on the 2021/22 and 2022/23 financial statements and the form of the audit report.



Executive Summary – Local context

Local Background and Context

The position at the Authority has developed over recent years resulting in unaudited financial statements for 31 March 2022 and 31 March 2023.

The main reasons for the Authority's financial statements not being prepared, audited and signed to date include:

- ▶ The significant issues with the financial statements, particularly in relation to property plant and equipment records and associated valuations in 2020/21. In addition, there were delays in the publication of the 2020/21 financial statements and supporting working papers due to the impact of the Covid pandemic on the Authority. These issues resulted in a delay to the completion of the 2020/21 audit, with the audit not being able to be concluded until September 2023.
- ▶ The additional audit work required to complete the 2020/21 audit was significant and required the utilisation of the audit resources which had been planned to undertake the 2021/22 audit. As a result, we did not have audit resource available to complete the detailed audit procedures that would be needed to issue an unmodified audit report on the 2021/22 or 2022/23 financial statements before the backstop date.
- ▶ In addition, there were a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets, which led to delays to the 2020/21 audit being completed.
- ▶ The Authority has been able to present draft statements of account for audit within the regulatory timeframe in 2021/22 and 2022/23. However, due to the issues noted above and the impact of the completion of the 2020/21 audit on the available audit resources to complete the audits for the subsequent years, we are unable to perform the 2021/22 and 2022/23 audits for the Authority before the back stop date of 13 December 2024.



Executive Summary – Report structure and work completed

Report structure and work completed

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

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

Section 2 – Work Plan – We have completed the following planning tasks:

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

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

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

Section 4 – Value for money reporting

- ▶ The value for money report covering the years ending 31 March 2022 and 31 March 2023.

Section 5 - Appendices



02 Work Plan

Work Plan – Audit Scope

Audit scope

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

- ▶ Our audit opinion on whether the financial statements of the Authority give a true and fair view of the financial position as at 31 March 2022 and 31 March 2023 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

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

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

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

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

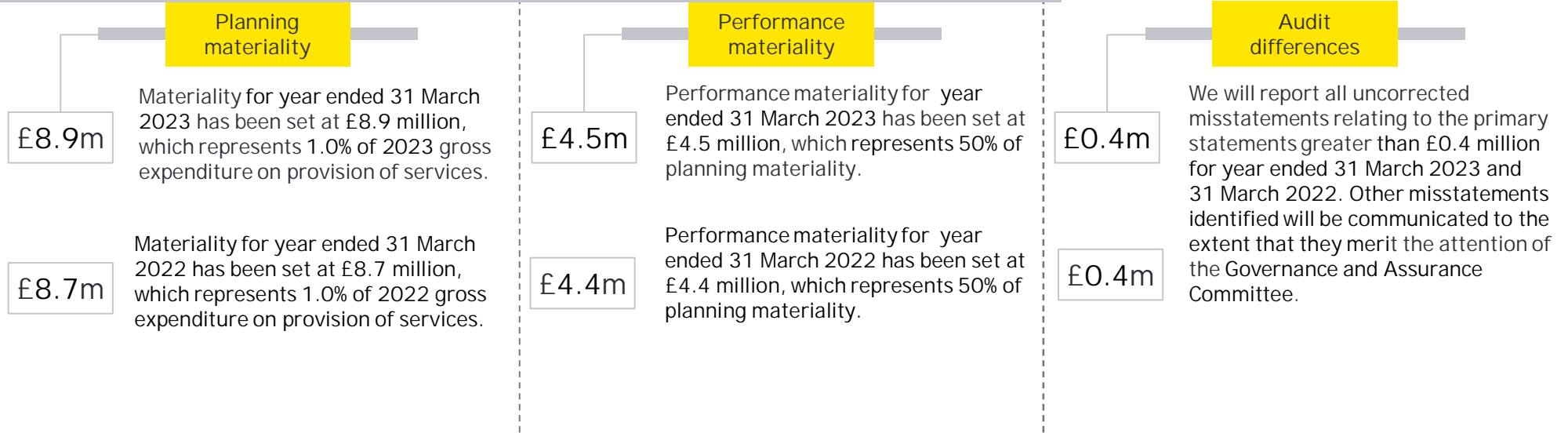
Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This decision is in line with ISA 200: Failure to Achieve an Objective 24.

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

Taking the above into account, for the years ended 31 March 2022 and 31 March 2023, we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing disclaimed audit reports.

Work Plan - Materiality

Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2021/22 and 2022/23 audit years. We have considered updating this materiality for any key changes or known factors from that year. We determined that our audit procedures would be performed using the materiality levels set out above. This level of materiality remains appropriate for the actual results for the financial year.

These materiality levels have been set based on the main Authority financial statements. These levels are being used to assess our response to any issues identified in the Authority's financial statements.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years 2021/22 and 2022/23.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Misstatement due to fraud or error	All years covered by this report	Fraud risk Significant 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	All years covered by this report	Fraud risk Significant risk Key audit matter	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of investment properties	All years covered by this report	Significant risk Key audit matter	No change in risk or focus	The fair value of investment properties represent significant balances in the Authority's financial statements and are subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Valuation of property, plant and equipment - other land and buildings	All years covered by this report	Significant risk Key audit matter	No change in risk or focus	The fair value of land and buildings represents a significant balance in the Authority's financial statements and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. 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.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years 2021/22 and 2022/23.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Pension liability valuation	All years covered by this report	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.</p> <p>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.</p>
Going concern disclosure	All years covered by this report	Inherent risk	No change in risk or focus	<p>There is a presumption that the Authority will continue as a going concern for the foreseeable future. The financial landscape for local government and the Authority remains challenging and the Authority will need to undertake a going concern assessment covering a period up to 12 months from the expected date of final authorisation of the audited financial statements. There will also need to be an appropriate disclosure in the financial statements.</p> <p>There is a risk that the financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years 2021/22 and 2022/23.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Group financial statements and disclosures	All years covered by this report	Other areas of audit focus	Decrease in risk (from inherent risk to other areas of focus)	<p>The Authority ceased to produce group financial statements from 2021/22. A revised management agreement was signed between the Authority and Vision Redbridge Culture and Leisure (VRCL). Management has assessed this and concluded that as the revised management agreement dilutes the control the Authority has over VRCL, it is no longer deemed necessary to consolidate the financial statements.</p> <p>There is a risk that this assessment may not be correct and therefore group financial statements should still have been prepared</p>
Non-compliance with housing Home Standard	2022/23	Other areas of audit focus	New risk	<p>The Authority made a self-referral to the Regulator of Social Housing in June 2022 following identification of a potential failure to meet statutory health and safety requirements in some of its homes through internal performance information. Following the self-referral the housing regulatory identified further areas of non-compliance related to fire, asbestos and water safety and as a result issued a regulatory notice in relation to the Authority being in breach of the Home Standard.</p> <p>There is a potential impact on the following areas of the financial statements as result of this issue:</p> <ul style="list-style-type: none"> • Valuation of the council's dwellings; and • Provisions.

Work Plan - Independence

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

Required communications

Planning stage

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

Final stage

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

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

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

Work Plan - Independence

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. 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 Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

Self-interest threats

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

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

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

At the time of writing, the current ratio of non-audit fees to audit fees is approximately nil:1. No additional safeguards are required.

Self-review threats

A self-review 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.

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.

EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 28 June 2024 and can be found here: [EY UK 2024 Transparency Report](#).



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 senior management and its affiliates, including all services provided by us and our network to your organisation, its senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 31 March 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 31 March 2021 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

Confirmations

We are not aware of any inconsistencies between the Council's policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that the independence threats created by the level of the audit fees are at an acceptable level.



03 Results and findings



Results and findings

Status of the audit

Our audit work in respect of the Authority's opinions is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completion of subsequent events procedures; and
- ▶ Receipt of a signed management representation letters.

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion a current draft of which is included later in this report.

Value for money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We identified a risk of significant weakness in respect of Improving economy, efficiency and effectiveness in relation to the regulatory notice by the Regulator of Social Housing regarding a breach of the Home Standard. Having completed the planned procedures in these areas we did not identify a significant weakness. See Section 4 of the report for further details.

Audit differences

We identified one difference which is summarised below:

- ▶ The prior year comparatives for short term creditors and current liabilities did not agree to the 2020/21 audited financial statements, with the comparator figures in the 2021/22 financial statements being £0.625 million lower. As a result, the prior year comparatives for the balance sheet did not reconcile, with the reported total net assets and reserves being reported as £1.081 million (which is consistent with the figures in the prior year audited financial statements), but the calculated figure based on the amounts in the balance sheet being £1.082 million.

This has been amended in the final version of the financial statements.

Other reporting issues

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

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

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

During the course of the audit, we became aware of instances of non-compliance with laws and regulations in relation to the Authority's non-compliance with the Home Standard. We have undertaken additional procedures to assess the risk to the financial statements. Having completed these procedures we are satisfied that they do not lead to a material impact on the financial statements.



Results and findings

Other powers and duties

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

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

Areas of audit focus

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

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

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

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

Control observations

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

We did however note that for both 2021/22 and 2022/23 the assurance opinion provided by Internal Audit reduced from ‘reasonable’ to ‘limited’. We also noted as part of our value for money work that although some progress had been noted against the main areas of improvement identified by Internal Audit, all actions remained in progress during 2022/23 despite the target date of implementation of the actions being within 2022/23.

The reduction in the overall level of assurance opinion provided by Internal Audit is a matter of concern and we therefore recommend that the Authority ensures actions are taken to address the weaknesses identified by Internal Audit on a timely basis in order for the Authority to be assured regarding the adequacy of its governance arrangements.

Independence

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



Results and findings

Other matters

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

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

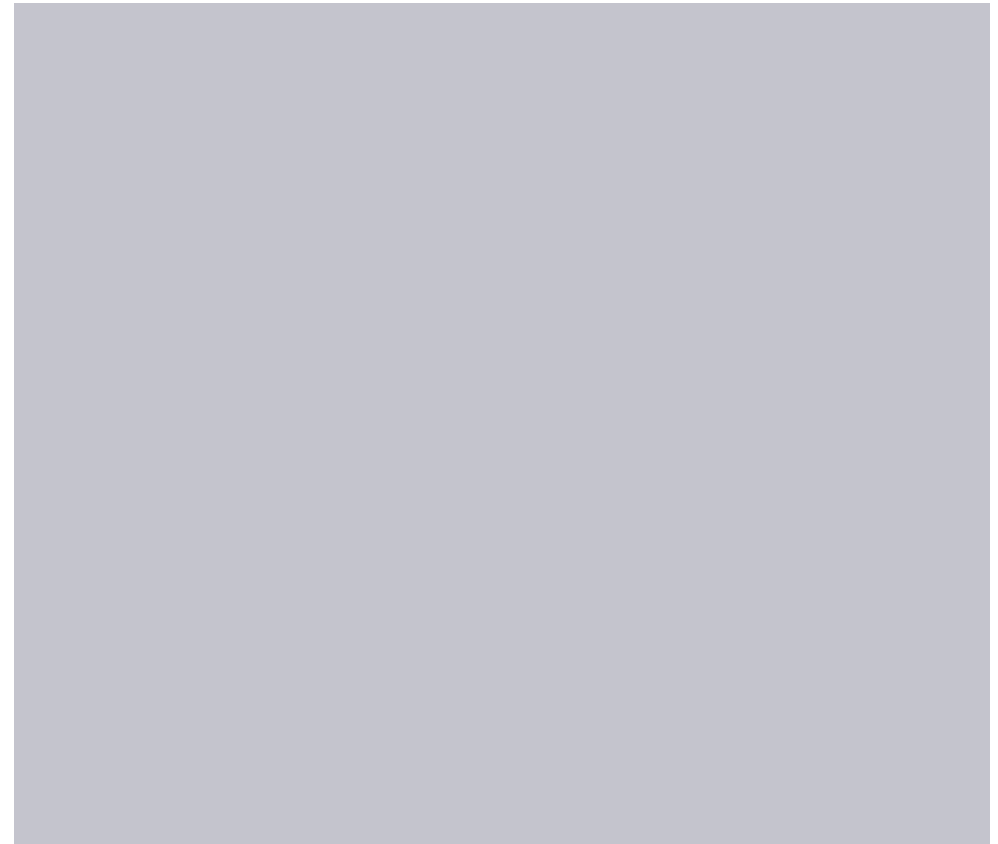
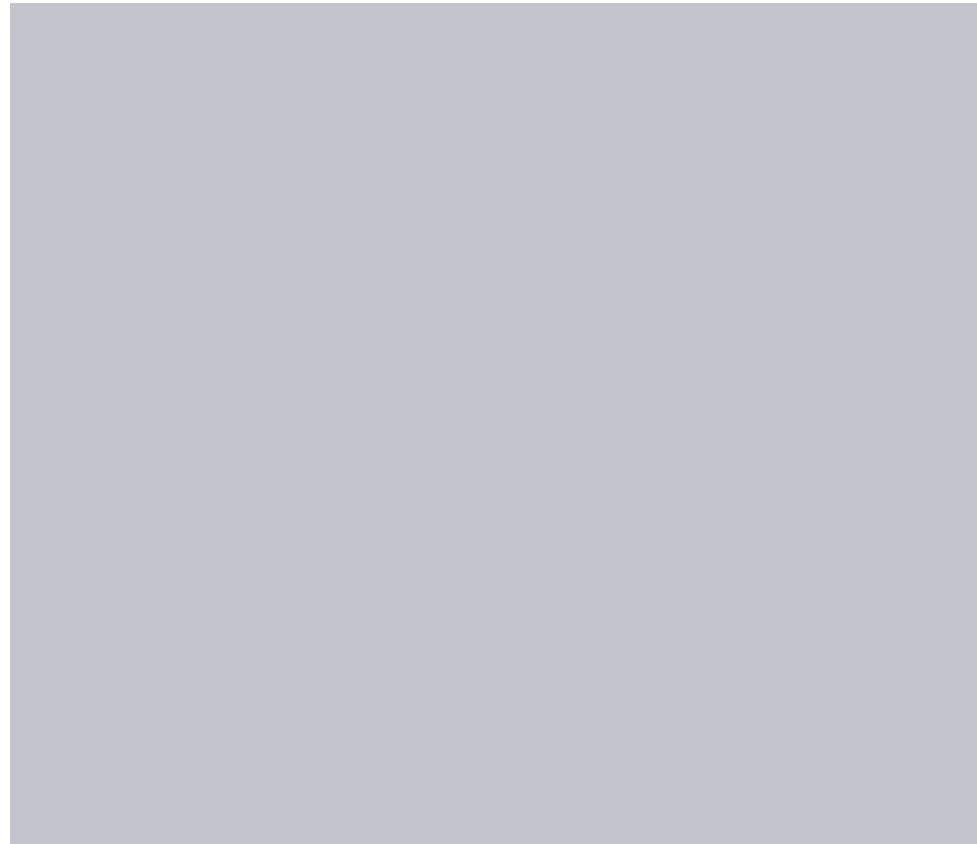
We have no other matters to report

Results and findings - Audit Report

Draft audit report


Audit report to be provided.

Our opinion on the financial statements





04 Value for Money



VFM - Executive Summary

Purpose

Auditors are required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

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

Risks of significant weakness

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

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of committee reports;
- meetings with the Chief Finance Officers, Service Director, Finance and Regional Services and the Chair of the Joint Audit Committee;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with management and the finance team.

Having completed our risk assessment procedures, we identified a risk of significant weakness in relation to 'How the Authority uses information about its costs and performance to improve the way it manages and delivers its services'. We set out further detail on this risk along with our response to address the risk and our conclusions in the following slide.

VFM - Executive Summary (continued)

Reporting

Description of risk identified	Work undertaken to address the risk of significant weakness
The Authority has been issued with a regulatory notice by the Regulator of Social Housing regarding a breach of the Home Standard. This was issued following a self-referral made by the Authority.	We have considered further the background to the self-referral, the action subsequently taken by the Authority to address the issues identified and the current status of the regulatory notice.

Having completed our planned procedures as set out above, we are satisfied that there is no weakness in the Authority's arrangements in relation to this issue.

We reported our value for money commentary for 2021/22 and 2022/23 in our Interim Value for Money Report presented to the Governance and Assurance Committee in April 2024. There has been no change to our findings and conclusions subsequent to the issue of that report.

The interim commentary summarised our understanding of the arrangements at the Authority based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Authority.

The detailed arrangements and processes underpinning the reporting criteria were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23. These updates were reported in our Interim Value for Money Report presented to the Governance and Assurance Committee in April 2024.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Governance: How the Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Governance: How the Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services	Significant risk identified	No significant weaknesses identified

Value for Money Commentary

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

No significant weakness identified

The Authority is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31 March 2022 and 2023.

Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Authority updates its Medium-Term Financial Strategy (MTFS) twice a year – every July and February. The MTFS covers a five-year rolling period starting the year following the current year (i.e., MTFS approved in July 2021 and February 2022 covers 2022/23 until 2026/27).

The context in which the Authority's Budget is set is influenced by:

- ▶ The Authority's Corporate Strategy and Strategic Priorities. The Authority Strategic Delivery Plan: 'A great place to live' was approved in 2018 and the Redbridge Plan for 2022-26 was approved in 2022;
- ▶ The Authority's Financial Strategy, to ensure a stable and sustainable medium-term financial position in the context of reductions in Government funding and demographic pressures;
- ▶ Central Government policies, including legislative change, which may require additional expenditure or set additional responsibilities; and
- ▶ External drivers – e.g., demand for services, inflationary pressures and change in interest rates. The longer-term impacts from Covid 19 also continue to be a key factor due to its continuing impact on residents, businesses and the demand for Authority services.

The outturn and pressures identified in the previous year are also considered as part of the budget process to ensure that these are adequately addressed in the next years' budget. Growth assumptions for each directorate are included when there is reasonable expectation that these will occur in the subsequent years. There have been some significant increases in demand for services, particularly housing and social care in recent years.

The Authority presents budgetary control reports for month 2, quarters 1, 2 and 3 and month 10 as well as an annual outturn report. The annual outturn reports are presented to cabinet and clearly explain all significant overspends and underspends.

For 2021/22, the Authority reported an overall underspend position of £1.589 million. Within this however, service directorates reported an overspend of £10.286 million, with the main overspends being in demand led areas such as children and families and adult social care. This was balanced by the underspend in corporate budgets of £9.967 million and Covid 19 grant of £1.908 million. The overspend in service directorates was mostly due to lost income due to the pandemic that were not eligible for lost sales, fees and charges grant, increase in expenses in children and adult social care due to increase in demand for care services and decrease in available carers. There were also overspends in the 'Looked After Children' scheme due to backlogs in courts dealing with these.

For 2022/23, the Authority service directorates again reported an overspend position of £20.461 million, also balanced by the underspend in corporate budgets of £22.7 million. The additional services pressures for 2022/23 included demand pressure in adult and children's services and homelessness as well as increased costs of energy and staff pay and repairs due to severe weather conditions experienced in December 2022.

Value for Money Commentary

Financial Sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services (continued)

No significant weakness identified

As noted above, for both 2021/22 and 2022/23, there have been significant overspends in service directorates which have been balanced by underspends in corporate budgets. This is because some of the growth assumptions incorporated in the budget are presented under the corporate budget rather than individual service directorates in order to maintain pressure on service directorates to manage spend and deliver savings. Growth and cost assumptions are also highly unpredictable in the current environment and the Authority therefore maintains a business risk reserve as well as risk and contingency provisions within the budget. The target level for the business risk reserve is 10% of net expenditure. The reserve has been reduced below this level as part of setting the 2023/24 budget, as noted below, but the MTFS includes plans to rebuild it to this level over the next few years.

The Authority has a robust process for the preparation and refresh of the MTFS, which considers economic and political factors. The Authority set a balanced budget for 2021/22 and 2022/23 without the need to draw on reserves. For 2023/24 however, the scale of the budget gap meant that the Authority had to plan to draw on earmarked reserves of £1.870 million to set a balanced budget.

The Authority's latest MTFS dated February 2023, identifies a budget gap for 2024/25 of £26.660 million, with a cumulative gap (excluding savings) of £89.466 million by the end of 2027/28. Savings totalling £26.766 million have also been identified for this period which, if delivered, would reduce the budget gap to £62.700 million.

The Authority has a good record of achieving savings. In 2021/22, the Authority delivered £12.3 million of the planned £17.7 million savings (69%). In 2022/23, £10 million of the planned £14 million savings were delivered (72%). All undelivered savings continue to be reviewed as part of the budget process to identify whether they are delayed and therefore carried forward to the next year or are undeliverable in which case alternative savings need to be identified. The level of savings planned for 2023/24 of £15.2 million in the context of the Authority's overall net spend of £218.8 million for 2023/24 is 6.9%,

The Section 151 Officer has recommended that the Authority maintains a balance of 20% of the net budget spread evenly over the general fund balance and business risk reserve. The February 2023 MTFS includes a general fund balance and business risk reserve balance of £21.4 million each over the period of the MTFS. In addition, the revenue budget for 2023/24 includes contingency of £3 million and a risk provision of £9.4 million to recognise the level of volatility and unpredictability in the 2023/24 budget. The Authority also maintains a number of other earmarked reserves which are planned to be at £34.3 million at 31 March 2024 and increase to £50.3 million at 31 March 2028 (excluding the business risk reserve).

Despite the pressures noted above, the general fund reserve and business risk reserve have been maintained in line with the levels recommended by the Section 151 Officer. The overall level of earmarked reserves at 31 March 2024 of £55.9 million has reduced from the level of £78.2 million at 31 March 2022. Most of this movement relates to the business rates smoothing reserve and is due to the accounting treatment of covid grants related to business rates rather than pressures on the general fund budget. The business rates smoothing reserve stood at £10.1 million at 31 March 2022 and reduces to £1.9 million over the period of the MTFS. This was set up to smooth the potential volatility from spending reviews and continued uncertainty regarding potential changes to the business rates retention scheme to balance the medium term budget.

Value for Money Commentary

Financial Sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services (continued)

No significant weakness identified

Conclusion:

Based on the work performed, we are satisfied that the Authority had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services. We note, however, that the Authority, along with other local authorities, is facing significant increases in demand for services such as social care and housing as well as cost increase pressures. It is therefore crucial that services take all possible steps to manage their spend within budget and deliver planned savings.

Recommendation:

Officers need to ensure robust plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.

Value for Money Commentary (continued)

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

No significant weaknesses identified

The Authority is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

In 2021/22, although we did not identify any risks of significant weaknesses in arrangements in governance, we identified two areas to highlight.

Limited assurance opinion provided by internal audit

The Authority's Annual Governance Statement (AGS) sets out a number of ways the Authority is able to gain assurance over the effective operation of internal controls. These include a Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE 2016: Delivering Good Governance in Local Government: Framework 2016 Edition, as well as the work of internal and external audit and other inspection bodies completed during the year.

The 2021/22 and 2022/23 AGS reported a reduction in the assurance opinion provided by Internal Audit from 'reasonable' in 2020/21 to 'limited' in 2021/22 and 2022/23. The AGS includes details of the main areas of improvement identified by Internal Audit and the 2022/23 AGS noted some progress against each area, although all actions remained in progress during 2022/23 despite the target date of implementation of the actions being within 2022/23. The reduction in the overall level of assurance opinion provided by Internal Audit is a matter of concern and we therefore recommend that the Authority ensures actions are taken to address the weaknesses identified by internal audit on a timely basis in order for the Authority to be assured regarding the adequacy of its governance arrangements.

The key areas noted as requiring improvement in the review of effectiveness' section of the 2021/22 AGS included:

1. Programme and project management delivery
2. Authority-owned companies
3. Commissioning, re-procurement and contract extension decision-making
4. Business continuity planning
5. Key business as usual corporate governance processes that support planning, delivery and monitoring of service delivery.

Value for Money Commentary (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks (continued)

No significant weaknesses identified

The 2022/23 AGS includes all the areas required by the CIPFA Code, including information relating to review of effectiveness (although this is not specifically labelled as such) and reports on the key governance areas where Internal Audit work has identified further improvements needed. These are:

1. Embedding the new service planning approach and developing and embedding a new commissioning approach
2. Re-establish public performance reporting
3. Continuing to develop and embed robust programme and project management arrangements, including oversight and assessment of benefits realised
4. Ensuring the Corporate Health and Safety Audit and Assurance Framework operates to the extent needed and addresses key health and safety issues where there is not sufficient assurance
5. Ensuring there is clear measurement and analysis of progress made addressing the equalities, diversity, and inclusion issues reported to it by staff in 2021

Both the 2021/22 and 2022/23 AGS include action plans for strengthening governance arrangements, including updates on the previous year's action plans along with summaries of key improvement areas. Although we have been provided with evidence to demonstrate that actions are being monitored between years, the amalgamation of previous year's actions in the subsequent years AGS makes it difficult for a reader to clearly follow through all of the issues between the years. In 2021/22, for example, although there is a section on 'progress on the previous year's AGS improvement actions' not all areas from the prior year were separately listed and, in 2022/23, it was difficult to see which actions were already completed in previous years. The Authority should therefore consider reviewing the AGS in subsequent years to ensure actions and assurances can be more clearly tracked between years.

Although there is evidence that the Authority has responded appropriately to Internal Audit reports, developing actions to respond to recommendations, the timeliness of implementation of recommendations remains an area which needs to be improved. This is evidenced by the January 2024 Internal Audit progress report to the Governance and Assurance Committee, which reported that for Quarter 2 the implementation of 85% of red rated recommendations were overdue, with this figure increasing to 87% for Quarter 3. Within these, for Quarter 3, 22% were between 7 and 12 months overdue and 26% over 12 months. Review of the Internal Audit progress reports shows that the majority of recommendations are not implemented by the target date. We note that since November 2023, additional focus has been given to overdue actions at both Corporate Leadership meetings and the Governance and Assurance Committee. Internal Audit took a report on red rated actions over 12 months past their original target date to the March 2024 Governance and Assurance Committee and the owners of actions relating to Business Continuity and staff Declarations of Interest attended the January 2024 meeting to provide members with further information on progress and answer member questions.

Overall, we are satisfied that the Authority's arrangements for Internal Audit are adequate but recommend that the Authority should continue with the recently increased focus on monitoring Internal Audit recommendations to ensure they are implemented on a timely basis. Where there is slippage, the Governance and Assurance Committee should ensure relevant officers attend meetings to provide updates and explanations and agree actions and timelines to ensure the recommendations are implemented.

Value for Money Commentary (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks (continued)

No significant weaknesses identified

Missed reporting of quarters 3 and 4 risk registers for 2021/22 to the Governance and Assurance Committee.

The Cabinet, on behalf of the Authority, charges the Governance and Assurance Committee with keeping the effectiveness of the Authority's systems for governance, risk management, internal control and counter-fraud under review. The Authority maintains risk registers, including strategic risk registers which are reviewed by the Governance and Assurance Committee. The Strategic Risk Register is reviewed and signed off by the Corporate Leadership Team at least every quarter in accordance with the Risk Management Strategy and Policy. At its meetings, the Governance and Assurance Committee receives and considers reports on the Authority's overall risk management arrangements and also receives reports on specific risk issues that are considered worthy of individual reporting by Internal Audit or officers.

Our review of the Governance and Assurance Committee minutes during 2021/22 and 2022/23 has not identified any indications of significant weakness in arrangements. However, we noted that the registers for quarters 3 and 4 for 2021/22 were not presented to the committee. Enquiries of management indicated that the registers were prepared and considered by senior management but were not presented to the Governance and Assurance Committee due to issues with the timing of meetings. The presentation of the risk registers to Members is an important part of the Authority's governance framework and the failure to report these for two consecutive quarters weakens these arrangements. We note however that there have been no subsequent gaps in the quarterly reporting and are therefore satisfied that this was an isolated issue.

Other matters:

The Authority published their draft 2021/22 financial statements for audit on 30 August 2022, in line with the Audit and Accounts regulations. The Authority also published their draft 2022/23 financial statements for audit on 29 November 2023, in line with the Audit and Accounts regulations. For both years, the Authority advertised and held an inspection period for members of the public in line with Accounts and Audit Regulations 2015 Section 14.

We confirmed that the 2021/22 and 2022/23 draft financial statements were arithmetically correct (other than the issue with the comparative figures for the balance sheet noted earlier in this report), agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. Therefore, based on the work completed, appropriate arrangements for financial reporting were in place during 2021/22 and 2022/23.

Value for Money Commentary (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks (continued)

No significant weaknesses identified

Conclusion:

Based on the work performed, we have not identified significant weaknesses in arrangements.

Recommendations:

The Authority should review the AGS in subsequent years to ensure actions and assurances can be more clearly tracked between years.

The Authority should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Authority to be assured regarding the adequacy of its governance arrangements.

The Authority should continue with the recently increased focus on monitoring Internal Audit recommendations to ensure they are implemented on a more timely basis. Where there is slippage, the Governance and Assurance Committee should ensure relevant officers attend meetings to provide updates and explanations and agree actions and timelines to ensure the recommendations are implemented.

Value for Money Commentary (continued)

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

No significant weakness identified

The Authority is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Our risk assessment identified a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness in relation to the Authority's self-referral to the Regulator of Social Housing (RSH).

Self-referral to RSH

The Authority made a self-referral to the RSH in June 2022, following identification of a potential failure to meet statutory health and safety requirements in some of its homes through internal performance information. This identified that the Authority had not completed electrical safety checks for every property which needed one. As a result of their resulting investigation, the RSH identified that the Authority also failed to comply with statutory health and safety requirements regarding fire, asbestos and water safety. As a result, in September 2022, the RSH published a regulatory notice which concluded that the Authority has breached the Home Standard and, as a result, there was potential for serious detriment to tenants. The Authority has been working on an action plan to remedy the situation and reference to the non-compliance was included in its 2022/23 Annual Governance Statement. As at January 2024, the Authority is now reporting 99% to 100% compliance with most areas, with the exception of internal electrical and block lifts (89%) and entrance doors (51%). As a result of the actions being taken by the Authority to rectify the failures and the assurances provided to the regulator, the regulator has not taken enforcement action in relation to this matter at this time.

We have considered carefully whether this represents a significant weaknesses in arrangements in place to ensure economy, efficiency and effectiveness. As the Authority initially identified non-compliance through its own performance reporting, made a self-referral to the RSH and has subsequently taken action to address the issues identified we have concluded this does not represent a significant weakness. We do however recommend that the Authority continues to monitor closely the remedial action plan and monitor other performance information to identify any other areas requiring action.

Other arrangements

The Authority has a Code of Conduct, which governs the standards of behaviour expected of elected members and a Code of Ethics and Standards for staff which applies to officers. The Monitoring Officer has overall oversight of ensuring legislative requirements are met. The procedures undertaken identified that finances and performance are well monitored through the procedures of the Authority and this information is used to make sure sound financial decision making takes place. Each service undertakes assessments of their performance.

At the Corporate Leadership Team level, the Authority receives benchmarking information from a number of sources, including CIPFA and other sector specialists (e.g. LG Futures). The Section 151 and Deputy Section 151 Officer are members of the Society of London Treasurers and Deputies groups which share strategic financial information and financial resilience data. This benchmarking information is assessed and used to inform actions required.

Value for Money Commentary (continued)

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

No significant weakness identified

A key aspect of performance assessment is the findings of external assessors which review the organisation. This includes Local Government Association peer reviews, OFSTED inspections, CQC inspections and other external reviews. All findings and recommendations made in internal inspections are reviewed and acted on by the Authority.

The Authority's last full Ofsted report for Children's Services was issued in 2019 and assessed the Authority as 'outstanding' and 'a model of efficiency and excellence'. The last full SEND inspection report was in 2018.

The Authority was subject to a focused inspection of children's services in June 2022, which looked at the local authority's arrangements for the 'front door'. The inspection was not scored but confirmed that the front door has continued to provide a high-quality service, and notes that this is an impressive achievement considering the last two years of Covid 19. The inspection did identify some issues about the attendance of partner agencies at multi-agency strategy meetings

The Authority was subject to a Housing Ombudsman investigation following receipt of a complaint from a tenant. The Ombudsman determined there was maladministration by the Authority in respect of how it handled the replacement of the front door and in respect of its complaint handling and was ordered to pay £450 in compensation. There were no other Housing Ombudsman findings against the Authority. We are therefore satisfied that this is not an indication of a significant weakness in arrangements.

The Authority was not subject to any other external inspections.

The Authority partners with a range of external organisations to consult on and deliver services to the local area. These partnerships are managed using boards, committee and other forums either under statutory or locally determined arrangements to agree and monitor performance against targets.

Conclusion:

Based on the work performed, we have not identified a significant weakness in the arrangements.

Recommendation:

The Authority should continue to monitor closely the remedial action plan related to the RSL regulatory notice and monitor other performance information to identify any other areas requiring action.



05 Appendices

Appendix A – Management representation letter

Management representation letter

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

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

This letter of representations is provided connection with your audit of the financial statements of London Borough of Redbridge ("the authority") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the authority financial position of London Borough of Redbridge as of 31 March 2022 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the Authority financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) that are free from material misstatement, whether due to fraud or error.

Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the **Authority financial statements** taken as a whole. We have not corrected these differences because
- *[specify reasons for not correcting misstatement]*.

6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange other than the RPI linked bond listed on the London Stock Exchange.

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

1. We acknowledge that we are responsible to determine that the Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the Authority financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the Authority financial statements, but compliance with which may be fundamental to the operations of the Authority's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Appendix A – Management representation letter

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Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

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

D. Liabilities and Contingencies

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

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note [X] to the financial statements. All assets to which the Authority has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

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

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of other land and buildings, surplus assets and investment properties, the pension fund valuations and insurance provisions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Appendix A – Management representation letter

Management representation letter

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

Management Rep Letter

G. Estimates - other land and buildings, surplus assets and investment property valuations, pension valuations and Insurance provisions

1. We confirm that the significant judgments made in making the other land and buildings, surplus assets and investment property valuations, pension valuations and insurance provisions and have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to continue to provide services on behalf of the Authority.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates listed above.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

H. Retirement benefits

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

I. Reserves

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

J. Contingent Liabilities

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

Appendix A – Management representation letter

Management representation letter

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

Management Rep Letter

K. Going Concern

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

L. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 2021/22, including the narrative report and the annual governance statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2021/22 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2021/22 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

N. Climate-related matters

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

Yours faithfully

Chief Financial Officer/s151 Officer

Chair of the Governance and Audit Committee

Appendix B – Fees

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

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

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

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

	2022/23 (Note 1)	2021/22 (Note 1)	Prior Year (2020/21)
	£	£	£
Total Fee – Code Work	142,496	107,317	107,317
Other – scale fee variation	TBC	TBC	248,815
Total audit	TBC	TBC	356,132
Other non-audit services	0	0	0
Total other non-audit services	0	0	0
Total fees	TBC	TBC	356,132

All fees exclude VAT

Note 1: PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC, PSAA is responsible for the determination of the final audit fee in respect of 2021/22 and 2022/23.

As set out in the joint statement PSAA Ltd will use its fee variation process to determine the final fee the Authority has to pay for the 2021/22 and 2022/23 audits. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Appendix C – Required communications with the Audit Committee

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

Our Reporting to you

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

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

Our Reporting to you

Required communications	What is reported?	When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-EY firms or external specialists and confirmation of their independence ▶ The nature, frequency and extent of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ Actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant. 	This Completion report for Those Charged with Governance

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

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	This Completion report for Those Charged with Governance
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	This Completion report for Those Charged with Governance

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

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	This Completion report for Those Charged with Governance
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees 	This Completion report for Those Charged with Governance

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

Our Reporting to you

Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	This Completion report for Those Charged with Governance
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	This Completion report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	This Completion report for Those Charged with Governance

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

Our Reporting to you

Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditor's report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	This Completion report for Those Charged with Governance

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

Non-Compliance with Laws and Regulations includes:

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

Management Responsibilities:

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

ISA 250A, para 3

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

ISA 250A, para 3

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

Audit Engagement Letter

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

Auditor Responsibilities

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

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

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

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

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

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

ISA 250A, paras 19 and 22

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

Matter

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

Implication

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

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

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

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



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter – in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

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

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

Appendix E – Summary of recommendations

Recommendations

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

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability	Officers need to ensure robust plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.	<p>Agreed.</p> <p>The Council is implementing a number of measures to facilitate this, including but not limited to:</p> <ul style="list-style-type: none"> • All budget managers being asked to agree their budget assurance statement acknowledging their constitutional requirement to operate within the approved budget envelope and where overspend is forecast to take sufficient mitigating action to bring the forecast back into budget; • All budget managers being required to attend budget management briefings and training sessions; • Full delivery recovery plans being required for undelivered savings from 2023/24, with an expectation that the saving is delivered in full, as early as possible, and to value; and • Full delivery plans in place, including milestones, for new 2024/25 savings and budgeted mitigations. <p>Update November 2024:</p> <p>The quarter 2 budgetary control report highlights that with planned mitigations for delivery in 2024/25:</p> <ul style="list-style-type: none"> • there is a forecast outturn of £9.580m that would fall to be met from reserves unless expenditure is reduced; • 86.7% of all planned savings have either been delivered or are in active delivery and expected to be met in full by year end; and • the Council has instigated stringent spend controls across all areas of activity in an attempt to further reduce expenditure, with the intent to maintain the council's financial resilience.

Appendix E – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the years covered in this report, 2021/22 to 2022/23. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance	<p>The Authority should review the AGS in subsequent years to ensure actions and assurances can be more clearly tracked between years.</p> <p>The Authority should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Authority to be assured regarding the adequacy of its governance arrangements.</p> <p>The Authority should continue with the recently increased focus on monitoring Internal Audit recommendations to ensure they are implemented on a more timely basis. Where there is slippage, the Governance and Assurance Committee should continue to ensure relevant officers attend meetings to provide updates and explanations and agree actions and timelines to ensure the recommendations are implemented.</p>	Agreed.
Improving economy, efficiency and effectiveness	The Authority should continue to monitor closely the remedial action plan related to the RSL regulatory notice and monitor other performance information to identify any other areas requiring action.	<p>Agreed.</p> <p>The Council continues to work with the regulator</p>

Appendix E – Summary of recommendations

Recommendations brought forward from 2020/21

The table below sets out the recommendations arising from the value for money work in 2020/21.

All recommendations were agreed by management as part of the 2020/21 audit.

Issue	Recommendation	Management response
Governance	<p>The 2020/21 financial year was challenging for the Authority, as they responded to the Covid-19 pandemic. During production of the 2020/21 financial statements and supporting working papers, both the Chief Accountant and Capital Accountant roles were filled by temporary members of staff, who then left in August and October 2021, respectively. As a result, the draft financial statements were not authorised for issue by the Section 151 Officer until 20 August 2021, after the statutory deadline for publication as defined in the Accounts and Audit Regulations and also later than the agreed timetable agreed by management for the audit.</p> <p>There were delays in the approval of the financial statements and the provision of working papers. Whilst we had received assurances over the governance process for quality review of the financial statements before being provided for audit, and the draft financial statements had been certified by the section 151 as being true and fair and free from material error, our initial high level review highlighted a number of issues within the draft financial statement. Subsequently, our audit has highlighted material adjustments to the value of property, plant and equipment disclosed in the financial statements as a result of significant weaknesses in the underlying processes, controls and working papers.</p> <p>The Authority should consider all of the findings reported in this Auditor's Annual Report and the Audit Results Report dated 28 September 2023 and ensure robust governance procedures are implemented for the production of future years accounts, particularly those relating to the disclosures of property, plant and equipment.</p>	<p>Agreed.</p> <p>The Council has recognised the challenges faced during the production of the 2020/21 financial statements, and the on-going effect this had for the publication of the 2021/22 and 2022/23 financial statements. In respect of Property, Plant and Equipment, the valuation process has been reviewed to ensure that going forward the quality of information provided by the Council is accurate and provided on a timely basis. A 2023/24 closedown timetable has been agreed. This sets deadlines to enable the council to produce draft financial statements by the statutory deadline of 31 May.</p> <p>Update November 2024.</p> <p>The draft financial statements were signed by the Section 151 officer on 5 July 2024, having experienced problems once again with PPE that led to other delays in finalising the draft financial statements for publication.</p> <p>The Council recognises it still has improvements to make with the arrangements for PPE, and is working constructively with the external auditor to achieve this</p>

Appendix E – Summary of recommendations

Recommendations brought forward from 2020/21

The table below sets out the recommendations arising from the value for money work in 2020/21.

All recommendations were agreed by management as part of the 2020/21 audit.

Issue	Recommendation	Management response
Governance	<p>In 2021/22 and 2022/23, the Head of Internal Audit issued a limited assurance opinion in their Head of Internal Audit Annual Report. The report noted weaknesses in some key areas for the Authority.</p> <p>Management has set out the key themes in the 2020/21 Annual Governance Statement and identified actions in relation to these, it is imperative that these recommendations are implemented in a timely manner.</p>	Agreed.

Appendix F – PSAA Statement of Responsibilities

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

Preparation of the statement of accounts

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

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

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

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

Appendix G – Summary of communications

Summary of communications

Date	Nature	Summary
27 February 2024	Meeting	The audit team met with management to discuss focus areas for 2021/22 and 2022/23 value for money reviews and agree the document request listings.
15 April 2024	Report	The Interim VFM Report for 2021/22 and 2022/23, including confirmation of independence was issued to management and the Governance and Audit Committee.
21 May 2024	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss the RPI linked bond.
15 August 2024	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the Corporate Director of Resources.
4 November 2024	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the Corporate Director of Resources to discuss the completion report for 2021/22 and 2022/23.
12 November 2024	Report	The Completion Report for 2021/22 and 2022/23, including confirmation of independence was issued to management and the Governance and Audit Committee.

In addition to the above specific meetings and reports the audit team met with the management team multiple times throughout the audits to discuss audit scope, progress and findings.

IY0

Need to add date for completion report

Ian Young, 2024-11-08T17:07:32.570

Appendix H – Approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

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