

**Borough Council of Kings Lynn & West
Norfolk**
Completion Report for Those Charged
with Governance

Years ended 31 March 2023, 31 March 2022, 31
March 2021

Report issued - 11 November 2024



Audit Committee
Borough Council-Kings Lynn & West Norfolk
Kings Court, Chapel Street
Kings Lynn, Norfolk
PE30 1EX

11 November 2024

Dear Audit Committee

Borough Council of Kings Lynn & West Norfolk 2022/23, 2021/22, 2020/22 - 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 Audit Committee of Borough Council of Kings Lynn & West Norfolk (the Authority) with a detailed complete report covering our approach and outcomes of the 2022/23, 2021/22, 2020/21 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 2023; 31 March 2022; 31 March 2021 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

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

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

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

We draw Audit 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 E).
(continued)

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

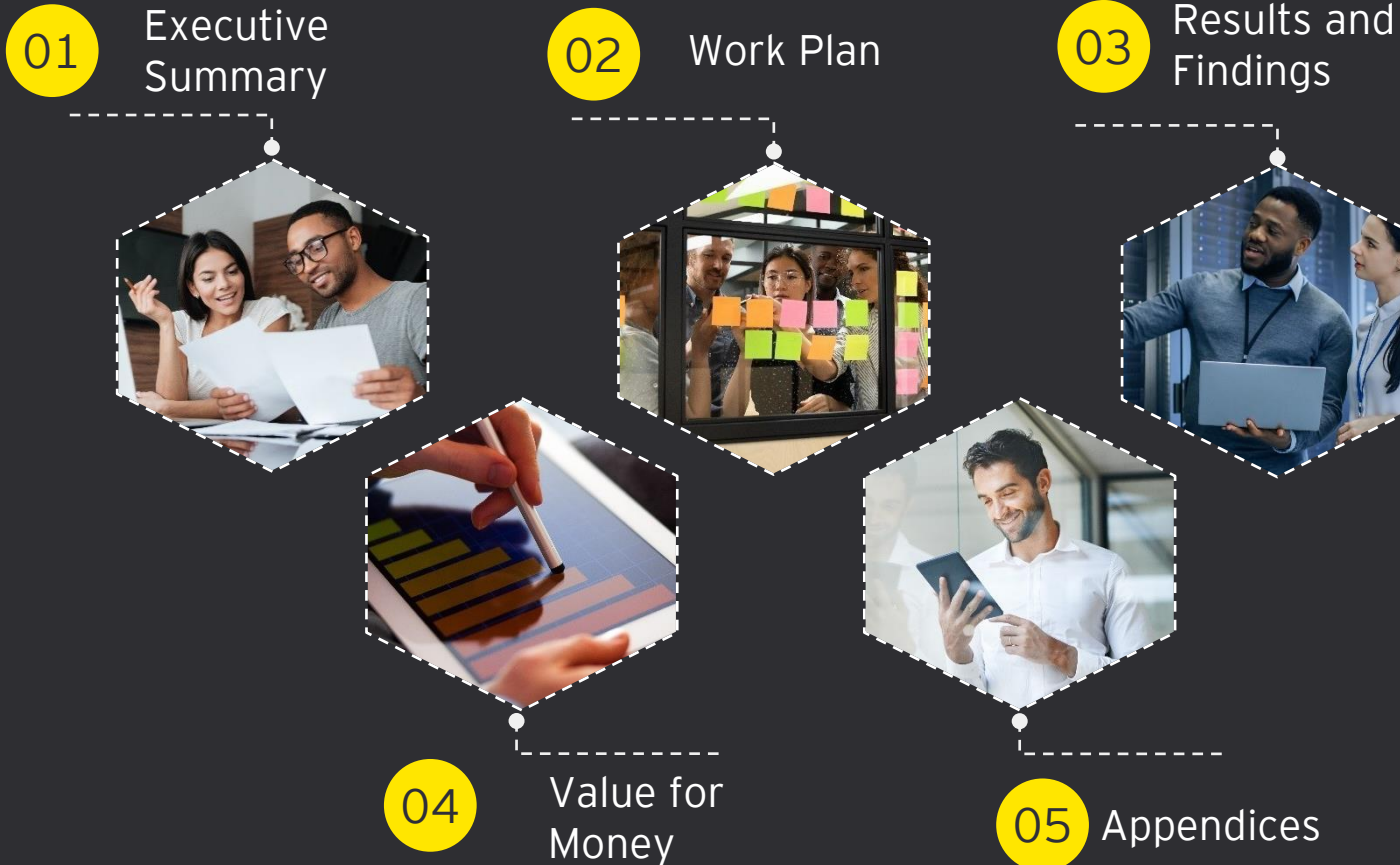
Yours faithfully

David Riglar

Partner
For and on behalf of Ernst & Young LLP

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 Audit Committee and management of Borough Council of Kings Lynn & West Norfolk. Our work has been undertaken so that we might state to the Audit Committee and management of Borough Council of Kings Lynn & West Norfolk those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Borough Council of Kings Lynn & West Norfolk 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 - 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

- ▶ Completed 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 review of responses to inquiry letters, internal team meeting, minute review, etc.
- ▶ 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, (Noclar), Objections, Significant weaknesses in arrangements for vfm, any matters that may result in the use of the auditor's powers etc.


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, and 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, (Noclar), Objections, Significant weaknesses in arrangements for vfm, any matters that may result in the use of the etc.

Section 4 - Value for money reporting

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

Section 5 - Appendices



Executive Summary – System wide 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 will need to work together to address this. The Ministry of Housing, Communities and Local Government (MHCLG) (initially as DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 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.

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

- ▶ MHCLG has enacted through Parliament Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024”, to insert statutory backstop dates for historic financial statements and for the financial years to 2027/28.
- ▶ The National Audit Office (NAO) has amended the Code of Audit Practice to:
 - ▶ Require auditors to issue audit opinions according to statutory backstop dates for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single Value for Money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of Councils and residents.

As a result of the system wide implementation of backstop dates we expect to disclaim the opinion on the Authority's 2022/23, 2021/22, and 2020/21 financial statements. The proposed disclaimer of the Council's accounts will impact both the audit procedures to be undertaken to gain assurance on the 2023/24 financial statements and the form of the Audit Report in 2023/24 and subsequent years during the 'Recovery phase' of the Government's proposals.



Executive Summary – Authority responsibilities

Local Background and Context

The position at this Authority has developed over the past few years resulting in unaudited financial statements for 31 March 2023, 31 March 2022 and 31 March 2021.

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

- ▶ The audit of the year 31 March 2020 identified issues in relation to land and building valuations which required additional work and caused reporting delays. The Authority also had staff shortages in finance which meant that responses to audit queries were delayed. The 2019/20 audit was therefore only concluded in January 2024.
- ▶ In the 2020/21, 2021/22 and 2022/23 financial years the Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. See section 04 for more detail.
- ▶ No entries have been made in the 2020/21 and 2022/22 financial statements relating to valuation adjustments on Plant, Property and Equipment and Investment Properties as required by the CPIFA Accounting Code.
- ▶ The post pandemic timelines and shift resulted in audit teams trying to move delayed audits on whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2020/21 audit.
- ▶ In addition, there were a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets, taking into account the updated pension fund valuations, which led to delays to the prior year 2019/20 audit being completed.
- ▶ As a result of discussions with officers in 2023, with acknowledgement of the wider reset proposals to move to the most recent year of audit (which at that point was 2023/24) we concluded it was not practical to schedule the 2020/21, 2021/22 and 2022/23 audits. Therefore, for the reasons listed above we did not have the resource necessary to perform the 2020/21, 2021/22 and 2022/23 audits for the Authority before the backstop date.



02

Work Plan

Work Plan – Audit Scope

Audit scope

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

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2023; 31 March 2022, 31 March 2021 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

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

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

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

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

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

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

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

Taking the above into account, for the years ended 31 March 2023; 31 March 2022; 31 March 2021 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

Work Plan - Materiality

Materiality

Planning materiality

£1.77m

Materiality for y/e 31 March 2023 has been set at £1.77m, which represents 2% of 2023 gross expenditure on provision of services.

£1.68m

Materiality for y/e 31 March 2022 has been set at £1.68m, which represents 2% of 2022 gross expenditure on provision of services.

£1.44m

Materiality for y/e 31 March 2021 has been set at £1.44m, which represents 2% of 2021 gross expenditure on provision of services.

Performance materiality

£.89m

Performance materiality for y/e 31 March 2023 has been set at £.89m, which represents 50% of planning materiality.

£0.84m

Performance materiality for y/e 31 March 2022 has been set at £0.84m, which represents 50% of planning materiality.

£0.72m

Performance materiality for y/e 31 March 2021 has been set at £0.72m, which represents 50% of planning materiality.

Audit differences

£0.09m

We will report all uncorrected misstatements relating to the primary statements greater than £0.09m for y/e 31 March 2023; £0.08m for y/e 31 March 2022; £0.07m for y/e 31 March 2021. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

£0.08m

£0.07m

In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the draft financial statements.

These materiality levels have been set based on the main Authority financial statements - we have not considered group materiality. 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 31 March 2021, 31 March 2022, and 31 March 2023.

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	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.
Misstatements due to fraud or error - incorrect capitalisation of revenue expenditure	All years covered by this report	Fraud risk	No change in risk or focus	<p>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.</p> <p>As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and Investment Property given the extent of the Council’s capital programme.</p>
Misstatements due to fraud or error - management override of controls	All years covered by this report	Fraud Risk	No change / increase in risk or focus	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>
Classification and accounting of COVID Grants	31 March 2021	Significant risk	No change in risk or focus	<p>Central Government have provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to disseminate to other bodies.</p> <p>The Council needs to review each of these to establish how they need to be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. For those where the decision is a principal, it also needs to assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.</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 31 March 2021, 31 March 2022, and 31 March 2023.

Audit risks and areas of focus

Risk/area of focus	Applicable year(s)	Risk identified	Change from PY	Details
Valuation of Property, Plant & Equipment (PPE) and Investment Property	All years covered by this report	Significant risk	No change / increase in risk or focus	<p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties represent a significant balance in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs 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.</p>
Pensions valuations and disclosures	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 Council / 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>
Group consolidation	All years covered by this report	Inherent risk	No change in risk or focus	<p>The Council prepares group accounts. It consolidated three subsidiaries: Alive Management Ltd., Alive West Norfolk, and West Norfolk Housing Company.</p> <p>In previous years, we identified a number of audit differences in relation to the group accounts, and the consolidation working papers provided were not of an appropriate standard. There is a risk that the consolidation of any subsidiaries within the Group Boundary is not undertaken in line with the relevant accounting standards and in line with the code of practice.</p>
Capital Accounting Entries	All years covered by this report	Significant Risk	New Risk	<p>Capital transactions in the financial statements are material and in 2019/20 we identified a number of misstatements relating to capital accounting entries in the financial statements. The Council have not finalised their fixed asset register since 2019/20.</p> <p>There is increased risk of material misstate of capital accounting entries in given the history of misstatements identified in prior years, the fact that the fixed asset register has not been updated since 2019/20.</p>

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.

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.

Work Plan - Independence

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of David Riglar, your Audit Engagement Partner and the audit engagement team have not been compromised.

Self interest threats

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

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

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

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

Self review threats

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

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your authority. 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 | EY - UK](#).



03 Results and findings



Results and findings

Status of the audit

Our audit work in respect of the Borough Council of Kings Lynn & West Norfolk opinion 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;
- ▶ Receipt of a signed management representation letter.

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

Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We identified significant weaknesses in arrangements. See Section 4 of the report for further details.

Audit differences

We have not identified any audit differences from our work, either adjusted or unadjusted by Management.

Other Reporting Issues

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

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 Council's financial statements from any member of the public following the inspection period.

Other powers and duties

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

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



Results and findings

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Borough Council of Kings Lynn & West Norfolk . 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 Audit Committee or Management.

Control observations

During the audit, we identified the following significant deficiencies in internal control:

- Bank reconciliations were not prepared and reviewed in a timely manner for the year end
 - the 2020/21 bank reconciliation was prepared 23/2/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared;
 - the 2021/22 bank reconciliation was prepared 10/8/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared; and
 - the 2022/23 bank reconciliation being prepared on 24/4/24 but not reviewed until the 3/8/2024.

Independence

Further to our review of independence in section 2 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;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no other matters to report.

Results and findings

Detailed matters identified

Description of work completed	Finding	Conclusion	Recommendation
Financial statement overall analytical review	<ul style="list-style-type: none"> No entries have been made in the 2020/21 and 2022/22 financial statements relating to valuation adjustments on Plant, Property and Equipment and Investment Properties as required by the CPIFA Accounting Code. Bank reconciliations were not prepared and reviewed in a timely manner for the year end: <ul style="list-style-type: none"> the 2020/21 bank reconciliation was prepared 23/2/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared; the 2021/22 bank reconciliation was prepared 10/8/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared; and the 2022/23 bank reconciliation being prepared on 24/4/23 but not reviewed until the 3/8/2023. The Cash and Cash Equivalents figure in the Statement of Accounts is different to the balance in the bank reconciliation as the Council's general ledger had not been closed resulting in transactions being posted back into the relevant years after the Statement of Accounts had been prepared. 	<p>The absence of revaluations for Property, Plant and Equipment or Investment Properties during 2020/21 and 2021/22 is a deviation from standard accounting practices, potentially affecting the material accuracy of the financial statements.</p> <p>Cash and Cash Equivalent figure in the draft 2020/21 and 2021/22 Statement of Accounts could be materially misstated.</p>	<p>The Authority assesses the responsibilities and resource requirements of its finance function to ensure the Council has effective processes and systems to support its statutory financial reporting requirements.</p>

Results and findings

Detailed matters identified

Description of work completed	Finding	Conclusion	Recommendation
Financial statement overall analytical review	Significant variances in the Other Operating Expenditure note in the 2020/21 and 2021/22 accounts indicate material misstatements (and potentially wider misstatement in the I&E account). There is a significant unexplained decrease in the Parish Precepts from £2m in 2020/21 to £21k in 2021/22. Also, in 2020/21 IDB levies fell to nil from £2,754k in 2019/20 and have then increased back up to £2,882k in 2021/22	The significant variances and unexplained decreases in the Other Operating Expenditure note and Parish Precepts, as well as the fluctuation in IDB levies, suggest the possibility of material misstatements within the accounts, which may also indicate broader issues in the Income & Expenditure (I&E) account.	An investigation should be conducted to understand the causes of these variances and to correct any misstatements. This should include a detailed analysis of the transactions and events leading to the variances, and the implementation of additional controls to prevent such discrepancies in the future. Management should also provide a clear and comprehensive explanation for the changes in the financial statements to ensure transparency and accuracy.
Financial statement overall analytical review	Significant variances in the 2022/23 Comprehensive Income and Expenditure Statement (Provision of Services, and Other Comprehensive Income and Expenditure) and Balance Sheet (Pension Asset and Liability, Short Term Receivables, Short and Long Term Borrowing, and Short Term Creditors) indicate material misstatements.	The significant variances suggest the possibility of material misstatements within the accounts.	An investigation should be conducted to understand the causes of these variances and to correct any misstatements. This should include a detailed analysis of the transactions and events leading to the variances, and the implementation of additional controls to prevent such discrepancies in the future. Management should also provide a clear and comprehensive explanation for the changes in the financial statements to ensure transparency and accuracy.
Financial statement Opening Balance	Material Differences noted in the opening balance for y/e 31 March 2022 and 31 March 2023.	The noted differences in the opening balances across various accounts, including significant variances in Property, Plant and Equipment, Investment Property, Intangible Assets, Asset Held for Sale and both Usable and Unusable Reserves, indicate potential inaccuracies in the financial records.	Action is required to reconcile the opening balances and to determine the reasons for these material differences. Adjustments should be made to correct any errors, and the accounting records should be updated accordingly. Furthermore, the authority should review its closing and opening balance procedures to ensure accuracy and to prevent such discrepancies in the future.

Our opinion on the financial statements 2020/21

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOROUGH COUNCIL OF KING'S LYNN AND WEST NORFOLK

Disclaimer of Opinion

We were engaged to audit the financial statements of the Borough Council of King's Lynn and West Norfolk ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2021. The financial statements comprise the:

- ▶ Council and Group Movement in Reserves Statement,
- ▶ Council and Group Comprehensive Income and Expenditure Statement,
- ▶ Council and Group Balance Sheet,
- ▶ Council and Group Cash Flow Statement,
- ▶ the related notes 1 to 41 and G1 to G3,
- ▶ Collection Fund and the related notes C1 to C4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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

Basis for disclaimer of opinion

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

The audit of the 2019/20 Statement of Accounts was not completed until January 2024 for the reasons set out in our opinion on those financial statements dated 22nd January 2024.

The Council did not publish their draft 2020/21 Statement of Accounts until 5th November 2021, compared to the statutory publication deadline of 31st July 2021, which is described below in the value for money section of our report.

In addition, the financial statements as approved by the Council do not include accounting entries relating to the valuation of Plant, Property and Equipment and Investment Properties as required by the CPIFA Accounting Code.

This, combined with the backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2020/21 Group and Council financial statements before the 13th December 2024 backstop date.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

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

Our opinion on the financial statements 2020/21

We report to you if:

- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014

We have nothing to report in these respects.

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2021.

Significant weaknesses in arrangements

Governance

Our judgement on the nature of the weakness identified:

The Council did not publish its statement of accounts by the 31 July 2021 as required by the Accounts and Audit Regulations 2015. The unaudited statements were published on 5 November 2021. This is due to ongoing operational and resourcing difficulties faced by the Council and historic delays in the 2018/19 and 2019/20 audits which has impacted the timeliness of its statement of accounts preparation.

The 2020/21 draft statement of accounts did not include accounting entries relating to the valuation of Plant, Property and Equipment and Investment Properties as required by the CPIFA Accounting Code.

The 2020/21 bank reconciliations were not prepared and reviewed in a timely manner, the bank reconciliation was prepared on the 23 February 2022 with review being on the 4 April 2024, this being after the draft Statement of Accounts had been prepared. As a result, the Cash and Cash Equivalents figure in the draft statement of accounts is different to the balance in the bank reconciliation indicating a possible misstatement.

The evidence on which our view is based is:

- ▶ Publication date of the 2020/21 draft financial statements.
- ▶ Review of the published 2020/21 draft financial statements and year end bank reconciliations.
- ▶ Council committee papers setting out continued delays and the Council's plans to catch up with the financial statement preparation and audit cycles.

The impact on Borough Council of Kings Lynn and West Norfolk:

Failure to improve on the Council's ability to report financial information timely may limit the Council's ability to make informed decisions and deploy resources sustainably and meet its statutory reporting deadlines.

The action the Borough Council of Kings Lynn and West Norfolk needs to take to address the weakness:

The Council needs to assess roles, responsibilities and resource requirements for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives.

The issues above are evidence of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.

Our opinion on the financial statements 2020/21

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 2, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the Borough Council of King's Lynn and West Norfolk had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Borough Council of King's Lynn and West Norfolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Borough Council of King's Lynn and West Norfolk had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

Certificate

We certify that we have completed the audit of the accounts of the Borough Council of King's Lynn and West Norfolk in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Results and findings

DRAFT

Draft audit Report 2020/21

Our opinion on the financial statements 2020/21

Use of our report

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

David Riglar (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
Date xxxx

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

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

Our opinion on the financial statements 2021/22

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOROUGH COUNCIL OF KING'S LYNN AND WEST NORFOLK

Disclaimer of Opinion

We were engaged to audit the financial statements of the Borough Council of King's Lynn and West Norfolk ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2022. The financial statements comprise the:

- ▶ Council and Group Movement in Reserves Statement,
- ▶ Council and Group Comprehensive Income and Expenditure Statement,
- ▶ Council and Group Balance Sheet,
- ▶ Council and Group Cash Flow Statement,
- ▶ the related notes 1 to 41 and G1 to G3,
- ▶ Collection Fund and the related notes C1 to C4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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

Basis for disclaimer of opinion

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

The audit of the 2020/21 Statement of Accounts was not completed for the reasons set out in our opinion on those financial statements dated xxxx.

The Council did not publish their draft 2021/22 Statement of Accounts until 1st October 2022, compared to the statutory publication deadline of 31st July 2022 which is described below in the value for money section of our report.

In addition, the financial statements as approved by the Council do not include accounting entries relating to the valuation of Plant, Property and Equipment and Investment Properties as required by the CIPFA Accounting Code.

This, combined with the backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2020/21 Group and Council financial statements before the 13th December 2024 backstop date.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

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

Our opinion on the financial statements 2021/22

We report to you if:

- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2022.

Significant weaknesses in arrangements

Governance

Our judgement on the nature of the weakness identified:

The Council did not publish its statement of accounts by the 31 July 2022 as required by the Accounts and Audit Regulations 2015. The unaudited statements were published on 1 August 2022. This is due to ongoing operational and resourcing difficulties faced by the Council, historic delays in the 2018/19 and 2019/20 audits and the delay in preparation of the 2020/21 financial statements which has impacted the timeliness of its statement of accounts preparation.

The 2021/22 draft statement of accounts did not include accounting entries relating to the valuation of Plant, Property and Equipment and Investment Properties as required by the CPIFA Accounting Code.

The 2021/22 bank reconciliations were not prepared and reviewed in a timely manner, the bank reconciliation was prepared on the 10 August 2022 with review being on the 4 April 2024, this being after the draft Statement of Accounts had been prepared. As a result, the Cash and Cash Equivalents figure in the draft statement of accounts is different to the balance in the bank reconciliation indicating a possible misstatement.

The evidence on which our view is based is:

- ▶ Publication date of the 2021/22 draft financial statements.
- ▶ Review of the published 2021/22 draft financial statements and year end bank reconciliations.
- ▶ Council committee papers setting out continued delays and the Council's plans to catch up with the financial statements preparation and audit cycles.

The impact on Borough Council of Kings Lynn and West Norfolk:

Failure to improve on the Council's ability to report financial information timely may limit the Council's ability to make informed decisions and deploy resources sustainably.

The action the Borough Council of Kings Lynn and West Norfolk needs to take to address the weakness:

The Council needs to assess roles, responsibilities and resource requirements for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives.

The issues above are evidence of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.

Our opinion on the financial statements 2021/22

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 2, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Borough Council of King's Lynn and West Norfolk had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Borough Council of King's Lynn and West Norfolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Borough Council of King's Lynn and West Norfolk had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

Certificate

We certify that we have completed the audit of the accounts of the Borough Council of King's Lynn and West Norfolk in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Our opinion on the financial statements 2021/22

Use of our report

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

David Riglar (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
Date xxxx

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

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

Our opinion on the financial statements 2022/23

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOROUGH COUNCIL OF KING'S LYNN AND WEST NORFOLK

Disclaimer of opinion

We were engaged to audit the financial statements of the Borough Council of King's Lynn and West Norfolk ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- ▶ Council and Group Movement in Reserves Statement,
- ▶ Council and Group Comprehensive Income and Expenditure Statement,
- ▶ Council and Group Balance Sheet,
- ▶ Council and Group Cash Flow Statement
- ▶ the related notes 1 to 41 and G1 to G3 including a summary of significant accounting policies.
- ▶ Collection Fund and the related notes C1 to C4

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

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

Basis for disclaimer of opinion

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

The audit of the 2021/22 Statement of Accounts was not completed for the reasons set out in our opinion on those financial statements dated xxxx.

In addition, the Council did not publish their draft 2022/23 Statement of Accounts until 17th September 2024, compared to the statutory publication deadline of 31st May 2023 which is described below in the value for money section of our report.

This, combined with the backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2020/21 Group and Council financial statements before the 13th December 2024 backstop date.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

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

Our opinion on the financial statements 2022/23

We report to you if:

- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2023.

Significant weaknesses in arrangements

Governance

Our judgement on the nature of the weakness identified:

The Council did not publish its statement of accounts by the 31 May 2023 as required by the Accounts and Audit Regulations 2015. The unaudited statements were published on 17 September 2024. This is due to ongoing operational and resourcing difficulties faced by the Council, historic delays in the 2018/19 and 2019/20 audits and the delays in preparation of the 2020/21 and 2021/22 financial statements which has impacted the timeliness of its statement of accounts preparation.

The 2022/23 bank reconciliations were not reviewed in a timely manner, the bank reconciliation was prepared on the 4 April 2023 with review being on the 3 August 2023.

The evidence on which our view is based is:

- ▶ Publication date of the 2022/23 draft financial statements.
- ▶ Review of the published 2022/23 draft financial statements and year end bank reconciliations.
- ▶ Council committee papers setting out continued delays and the Council's plans to catch up with the financial statements preparation and audit cycles.

The impact on Borough Council of Kings Lynn and West Norfolk:

Failure to improve on the Council's ability to report financial information timely may limit the Council's ability to make informed decisions and deploy resources sustainably.

The action the Borough Council of Kings Lynn and West Norfolk needs to take to address the weakness:

The Council needs to assess roles, responsibilities and resource requirements for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives.

The issues above are evidence of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.

Our opinion on the financial statements 2022/23

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 2, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Borough Council of King's Lynn and West Norfolk had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

Certificate

We certify that we have completed the audit of the accounts of the Borough Council of King's Lynn and West Norfolk in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Results and findings

DRAFT

Draft audit Report 2022/23

Our opinion on the financial statements 2022/23

Use of our report

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

David Riglar (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
Date xxxx

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

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



04 Value for Money



VFM - Executive Summary

Purpose

Auditors are required to be satisfied that the Council 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 published as part of the Auditor's Annual Report. 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 purpose of this commentary is to explain the work we have undertaken during the period 01 April 2020 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit years 2020/21, 2021/22 and 2022/23.

The report sets out the following areas:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period.

VFM - Executive Summary (continued)

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 Council committee reports;
- meetings with the key Finances Officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We identified a significant risk related to Governance as part of our risk assessment procedures. We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
<p>In the 2020/21, 2021/22 and 2022/23 financial years the Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015, the 2022/23 unaudited statements were published in September 2024.</p> <p>The Council's finance team has faced resourcing challenges, with additional impact when resources were diverted to support the Council's response to the COVID-19 pandemic. This has impacted the timeliness of accounts preparation and the audit of the Statement of Accounts for 2020/21 to 2022/23. The last set of audited financial statements were the 2019/20 accounts in January 2024.</p> <p>The issue above is evidence of a risk in proper arrangements in how the Council ensures effective processes and systems are in place to ensure accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements. The issue above is evidence of a risk in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance</p>	<ul style="list-style-type: none">• Reviewing the Council's financial statement closedown arrangements and plans to publish statement of accounts.• Review Internal Audit reports and council committee papers to determine whether the staff shortages have impacted wider finance team responsibilities.

VFM - Executive Summary (continued)

Reporting

Our commentary for 2020/21, 2021/2022 and 2022/23 is set out over pages 38 to 41. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2020/21, 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendation we have agreed with the Council.

The detailed arrangements and processes underpinning the reporting criteria were reported in October 2024 in the Interim VFM Report.

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?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Significant risk identified concerning the Council's arrangements to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015.	Significant weaknesses identified concerning the Council's arrangements to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015.
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

Value for Money Commentary

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

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

For 2020/21, 2021/22 and 2022/23 the Council prepared its annual Financial Plan for the medium term which contained the forecasted financial position, significant financial challenges, and solutions to address identified budget gaps. These were discussed with portfolio holders to shape the financial objectives and identify associated risks. The development of financial plans and budget reports include feedback from a range of sources such as service demand, local priorities, efficiency needs, new legislation and staffing.

In 2020/21, the pandemic created significant uncertainty for the Council on its financial sustainability in the short term with expectations that there would be some residual impact in the longer term. The council suspended its cost management plan during this time to focus resource on responding to the pandemic. A commitment to pay an upfront pension contribution was also reversed to assist with potential short term cashflow implications. The response to the pandemic changed the activity levels in some service areas resulting in reduced expenditure in non-essential service areas. In contrast to this there was increased spend in those service areas that were critical in the response to the pandemic and staff were diverted to assist where possible.

The Council's Corporate Plans for 2020/21 to 2022/23 set out the strategic priorities for the Council and these are reflected in service plan objectives. The budget setting process is a collaborative process across the Council that captures key projects/workstreams to be included in the financial plan that underpins the delivery of the corporate plan. The financial plan sets out several assumptions around the projection of costs and income over the medium term for both revenue and capital budgets. Each directorate has a finance officer allocated to them to support them with management of their respective budgets. This involves regular meetings to discuss their financial position which is reflected through the budget monitoring and budget setting process.

The 2020/21 budget approved by Council on 27 February 2020 approved expenditure for the year of £22.17m and funding of £21.82m showing a funding gap of £0.35m which was planned to be met by a contribution from the general fund reserve. The 2020/21 outturn showed that the final position for the year was a surplus with no funding gap due to reduced spend of £15.72m and a net contribution to the General Fund reserve of £0.61m.

The 2021/22 budget approved by Council on 25 February 2021 approved expenditure for the year of £21.47m and funding of £21.72m showing a funding surplus of £0.25m. The 2021/22 outturn showed that the final position for the year was a surplus with a reduced spend of £20.29m and a net contribution to General Fund reserve of £0.29m.

The 2022/23 budget approved by Council on 23 February 2022 approved expenditure for the year of £21.03m and funding of £21.55m showing a funding surplus of £0.53m. The 2022/23 outturn showed that the final position for the year was a surplus with a reduced spend of £19.69m and a net contribution to General Fund reserve of £0.66m.

Risk management is embedded within the Council's financial planning arrangements. The financial plan sets out the risk around budget assumptions such as cost and pay inflation, future funding uncertainties, interest rates and service demand pressures. These assumptions are reviewed by the management team and subsequently approved by Members.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

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

Significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. Our risk assessment identified one risk of significant weakness in arrangements in respect of governance.

The Council has a Risk Management Policy and Risk Management Strategy that are approved by full Council. The Council also has a Corporate Risk Register which is updated on a four monthly cycle by the Senior Corporate Governance and Risk Officer in consultation with Assistant Directors and Executive Directors for identified risks. The risk register is then reviewed and updated by each Assistant Director and reported to Senior Leadership Team and Audit Committee.

Internal Audit set out the Strategic Audit Plan for the next four years and the Annual Audit Plan for the forthcoming year. These are agreed with Senior Leadership Team and approval at Audit Committee each year. The Senior Internal Auditor will present regular updates on delivery of the audit plan and implementation of recommendations to the Senior Leadership Team and Audit Committee during the year.

For 2020/21, 2021/22 and 2022/23, the Head of Internal Audit issued a 'reasonable assurance' opinion for each year in relation to the framework of governance, risk management and control at the Council.

The Internal Audit function includes provision for a Fraud Officer who carries out various functions in relation to fraud and error prevention, and detection. This includes the National Fraud Initiative exercises, debt tracing activities, and the Norfolk Fraud Hub which carries out data matching across Norfolk authorities and shares best practice and emerging new threats/risks. A report on findings is presented to Audit Committee twice a year.

The Council prepare a timetable for the budget setting process that includes reporting and updates to Senior Leadership Team, budget development sessions with Councillors, and other consultation sessions (including businesses and the voluntary sector). This informs the preparation of the Medium-Term Financial Plan and the Annual Budget that is considered and approved by Cabinet and Council in February each year. The Medium-Term Financial Plan sets out the financial projections for the next four years based on assumptions including cost and pay inflation, future Government Funding and other income streams available to the Council.

The Council's finance team circulate month end reports to Assistant Directors and Budget Managers. Service Accountants undertake a review of month end data and review anything they feel needs investigation or explanation with the budget manager. The Council have risk rated services to ensure that some higher risk services receive monthly meetings with their service accountants whilst other lower risk activities will receive a bi-monthly or quarterly meetings. Quarterly budget monitoring reports are presented to the Audit Committee.

Value for Money Commentary (continued)

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

Significant weakness identified

There is currently a significant backlog of unaudited financial statements for local authority bodies. The Ministry of Housing, Communities and Local Government are working collaboratively with the Financial Reporting Council (FRC), the National Audit Office (NAO) and organisations in the wider system to take actions designed to address the backlog and put local audit on a sustainable footing. The challenges facing the local audit system have been highlighted by auditors, the Redmond Review, the NAO, the Local Government Association and Parliament - through Select Committee hearings.

For 2020/21, 2021/22 and 2022/23 the Council have been unable to publish its Statement of accounts by the deadlines outlined in the Accounts and Audit Regulations 2015 with 2020/21 being published 5/11/2021 (deadline 31/07/2021), 2021/22 being published 1/08/2022 (deadline 31/07/2022), and the 2022/23 statement of accounts was published September 2024 (deadline 31/05/2023).

Councils are required to advertise a public inspection notice for the Statement of Accounts and the Annual Governance Statement for each financial year. For 2020/21 and 2021/22 the requirement of this notice as per the Accounts and Audit regulations 2015 were not met as the Annual Governance Statements for these years were not released until after the inspection periods were initially set and as such the Council is required to readvertise their public inspection notice for the financial years 2020/21 and 2021/22.

From our review of the draft Statement of accounts we have identified:

- No entries have been made into the financial statements relating to any valuation adjustments on Plant, Property and Equipment and Investment Properties as required by the CPIFA Accounting Code.
- Bank reconciliations were not prepared and reviewed in a timely manner for the year end:
 - the 2020/21 bank reconciliation was prepared 23/2/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared;
 - the 2021/22 bank reconciliation was prepared 10/8/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared; and
 - the 2022/23 bank reconciliation being prepared on 24/4/23 but not reviewed until the 3/8/2023.
- The Cash and Cash Equivalents figure in the Statement of Accounts is different to the balance in the bank reconciliation as the Council's general ledger had not been closed resulting in transactions being posted back into the relevant years after the Statement of Accounts had been prepared. This indicates that the Cash and Cash Equivalent figure in the draft 2020/21 and 2021/22 Statement of Accounts could be materially misstated.

The Council has faced ongoing operational and resourcing difficulties over several years impacting the timeliness of accounts preparation and the audit of historic Statement of Accounts with the 2019/20 accounts being concluded in January 2024. This has had a knock-on impact for subsequent years Statement of accounts.

The issue above is evidence of weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance 'How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.'

Conclusion: Based on the work performed, we identified a significant weakness in the Council's arrangements in 2020/21, 2021/22 and 2022/23 that we will be reporting by exception in relation to Governance.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Improving economy, efficiency and effectiveness.

Throughout the period 2020/21 to 2022/23, budget monitoring information has been reported to the Senior Leadership Team, the Finance Portfolio holder, Audit Committee and other Councillors on a quarterly basis.

The Council's performance management framework includes regular monitoring and reporting of performance. Key performance indicators are determined in conjunction with Portfolio holders and monitored throughout the year. Performance Data is reported to Senior Leadership Team and the Corporate Performance Panel on a quarterly basis. Feedback from all parties is provided and considered for prioritisation and action. The Senior Leadership Team have responsibility for taking action to meet performance expectations and be accountable for corrective action.

A Covid-19 Recovery Strategy was agreed by Council in October 2020, and this was monitored through the Corporate Performance Panel.

The Council has an in-house procurement team that maintains the Council's Contracts Register and support services in market testing and contract extensions to ensure compliance with legislation. Key contracts (e.g., Waste collection) are managed by the service and performance reported to Senior Leadership Team, Portfolio Holder, and Cabinet. Additionally key performance indicators are in place and monitored by the Corporate Performance Panel.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



05 Appendices

Appendix A – Management representation letter

Management representation letter

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

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

This letter of representations is provided in connection with your audit of the consolidated and parent financial statements of [name of entity] ("the group and Council") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Group and Council financial position of Borough Council of King's Lynn and West Norfolk as of 31 March 2023 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

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

A. Financial Statements and Financial Records

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

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

[When the comparative figures have been restated]

5. The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. [Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.] There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended [date] are solely the result of reclassifications for comparative purposes.
6. [When there are no unadjusted audit differences in either the current year or in the prior year or there are no unadjusted audit differences in the current year]. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange [other than...].

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

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. [For periods commencing on or after 15 December 2021] 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. [For periods commencing before 15 December 2021] We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
4. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
5. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group and Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council's activities, its ability to continue to operate, or to avoid material penalties;

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- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Group and Council and committees [add the full title of the relevant committees] (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council 's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. [For audits of periods ending on or after 15 December 2020] We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. [For audits of periods ending before 15 December 2020] We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

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

D. Liabilities and Contingencies

- All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- 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 financial statements all guarantees that we have given to third parties.

- The claim by [name of claimant] have been settled for the total sum of XXX which has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

E. Ownership of Assets

- Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council 's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note [X] to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).
- All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
- 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.
- There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note [X] to the financial statements, we have no other line of credit arrangements.

F. Use of the Work of a Specialist

- We agree with the findings of the specialists that we engaged to evaluate the [describe assertion] 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

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G. Estimates

1. When we have identified a higher risk estimate, we include the following representation(s):
2. We confirm that the significant judgments made in making the [insert name of the accounting estimate] have taken into account all relevant information [and the effects of the COVID-19 pandemic on XXX] of which we are aware.
3. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the [insert name of the accounting estimate].
4. We confirm that the significant assumptions used in making the [insert name of the accounting estimate] appropriately reflect our intent and ability to carry out [describe the specific courses of action] on behalf of the entity.
5. 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 on XXX], are complete and are reasonable in the context of [the applicable financial reporting framework].
6. We confirm that appropriate specialized skills or expertise has been applied in making the [insert name of the accounting estimate].
7. 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

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).

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:

1. Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, [continue listing as appropriate]) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
2. Matters referred to in the letters dated [date] issued to you by the Group and Council 's Monitoring Officer and the Group and Council 's legal advisor.
3. Matters referred to in the letter of comments received from the [name of regulator] regarding.....

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K. Going Concern

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

L. Subsequent Events

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

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises [describe the other information applicable to the entity].
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 20xx/xx is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 20xx/xx 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 reflected in the financial statements.

Yours faithfully,

(Chief Financial Officer/Finance Director)

(Chairman of the Audit Committee)

Appendix B – Fees

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

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

A breakdown of our fees is shown in the table to the right.

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

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

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

	2022/23	2021/22	2020/21
	£'s	£'s	£'s
Scale Fee - Code Work	39,494	39,494	39,494
Determined Scale Fee Variation	Note 1	Note 1	Note 1
Total audit	Note 1	Note 1	Note 1
Other non-audit services not covered above (Housing Benefits)	Note 2	33,500	49,500
Total other non-audit services	TBC	TBC	TBC
Total fees	TBC	TBC	TBC

All fees exclude VAT

Note 1 - As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23, 2022/21, and 2020/21 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.

Note 2 - The 2022/23 Housing Benefit non-audit service has commenced and fees are yet to be determined.

Appendix C – Required communications with the Audit Committee

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

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ 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
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: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	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>	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
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
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	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
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	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 – PSAA Statement of Responsibilities

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

Preparation of the statement of accounts

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

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

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

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

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