

# Bromsgrove District Council Completion Report for Those Charged with Governance

Years ended 31 March 2024 and 31 March  
2025

Report issued 28 May 2026





Audit, Standards and Governance Committee  
Bromsgrove District Council  
Town Hall  
Walter Stranz Square  
Redditch  
B98 8AH

28 May 2026

Dear Audit, Standards and Governance Committee Members

**Completion Report for Those Charged with Governance - 2023/24 and 2024/25 financial years**

We attach our Completion Report for Those Charged with Governance. The purpose of this report is to provide the Audit, Standards and Governance Committee of Bromsgrove District Council (the Council) with a detailed complete report covering our approach and outcomes for 2023/24 and 2024/25.

Our appointment by PSAA Ltd as the Council's external auditors occurred late in the process. The PSAA initially appointed another audit firm to undertake the external audit of the Council, however, they were unable to do so and the PSAA subsequently confirmed our appointment in October 2024 nearly six months after the end of the 2023/24 financial year. This late appointment together with the audit of the Council's 2022/23 financial statements not being concluded until 16 January 2025 (for the reasons set out in the Council's predecessor auditor's audit report) delayed our ability to start the 2023/24 audit. In addition, the Council published its draft 2023/24 financial statements on 16 January 2025 approximately 8 months after the statutory 31 May 2024 publication date specified in: Statutory Instrument 2024/907 - "The Accounts and Audit (Amendment) Regulations 2024". The Statutory Instrument also imposed backstop dates of 28 February 2025 and 27 February 2026 by which external auditors were required to issue the opinion on the 2023/24 and 2024/25 financial statements, respectively. As a result of the late publication of the draft 2023/24 financial statements and the late conclusion of the 2022/23 audit we determined that the time constraints imposed by the backstop dates meant that we could not complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK) and accordingly will be issuing a disclaimer of opinion on Council's 2023/24 financial statements.

We planned to undertake the procedures required to discharge our value for money reporting responsibilities and issue a disclaimed audit opinion by June 2025. However, there were significant delays in receiving the required information from management resulting in our planned audit having to be paused which subsequently impacted on our ability to commence our planned 2024/25 audit. As a result, we were unable to undertake all of our planned procedures for the 2024/25 financial statements to rebuild assurance ahead of the 27 February 2026 backstop date and we accordingly informed the Council that we would also be issuing a disclaimer opinion on the Council's 2024/25 financial statements.

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).

In completing our work, we have taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance, We have also considered 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.

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

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

We have, as required under the 2024 Code, considered whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. We have identified significant weaknesses in arrangements which we will be reporting on by exception, further details are provided in section 4 of this report.

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

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

Yours faithfully



Hassan Rohimun

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. 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, Standards and Governance Committee and Management of Bromsgrove District Council. Our work has been undertaken so that we might state to the Audit, Standards and Governance Committee and Management of Bromsgrove District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit, Standards and Governance Committee and Management of Bromsgrove District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary – System wide and local context

## Context for the audit – Ministry of Housing Communities and Local Government 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 the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- lack of capacity within the Local Authority financial accounting profession;
- increased complexity of reporting requirements within the sector;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. For the reasons outlined in the Council's predecessor auditor's audit report, the 2022/23 audit of the Council was concluded after the backstop date on 16 January 2025 with a disclaimer opinion being issued.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements was 28 February 2025. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ Authority to Authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual Authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

## Local Background and Context

SI 2024/907 imposed a backstop date of 28 February 2025 by which date we were required to issue our opinion on the 2023/24 financial statements.

The PSAA initially appointed another audit firm to undertake the external audit of the Council, however, they were unable to do so and the PSAA subsequently confirmed our appointment in October 2024 nearly six months after the end of the 2023/24 financial year. This late appointment together with the audit of the Council's 2022/23 financial statements not being concluded until 28 January 2025 (for the reasons set out in the Council's predecessor auditor's audit report) delayed our ability to start the 2023/24 audit. In addition, the Council published its draft 2023/24 financial statements on 16 January 2025 approximately 8 months after the statutory 31 May 2024 publication date. As a result of the late publication of the draft 2023/24 financial statements and the late conclusion of the 2022/23 audit, we determined that the time constraints imposed by the backstop dates meant that we could not complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK) and accordingly will be issuing a disclaimer of opinion on Council's 2023/24 financial statements.



# Executive Summary – System wide and local context

We planned to undertake the procedures required to discharge our value for money reporting responsibilities and issue a disclaimed audit opinion by June 2025. However, there were significant delays in receiving the required information from management resulting in our planned audit having to be paused which subsequently impacted our ability to commence our planned 2024/25 audit. As a result, we were unable to undertake all of our planned procedures for the 2024/25 financial statements to rebuild assurance ahead of the 27 February 2026 backstop date and we accordingly informed the Council that we would also be issuing a disclaimer opinion on the Council's 2024/25 financial statements.

## Responsibilities of Council's Management and those charged with governance

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

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of the expenditure and income for the years ended 31 March 2024 and 31 March 2025. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available within agreed deadlines. The Audit, Standards and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by Management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements;
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so;
- Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix C of this report together with, at Appendix B, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements; and
- Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.



# Executive Summary – Report structure

## Report structure and work completed

This report covers the work we 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 sets out the national and local context and the structure of our report.

Section 2 - Work Plan - We have completed the following planning task:

- Completed required independence procedures;
- Set a level of materiality;
- Issued letters of inquiry to Management, Those Charged with Governance (Audit, Standards and Governance Committee), the Head of Internal Audit and the Monitoring Officer;
- Updated our understanding of the business, including through review of responses to inquiry letters, internal team meeting, minute reviews etc;
- Identified significant, inherent and other areas of higher risk or focus; and
- 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 securing value for money (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; and
- 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. 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 VFM report covering our findings in respect of our 2023/24 and 2024/25 audits.

Section 5 - Appendices.



# 02 Work Plan



# Work Plan – Audit Scope

## Audit scope

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

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and 31 March 2025 and of the income and expenditure for the years then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant periods. We include further details on VFM in Section 4.

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

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

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

Given that SI 2024/907 sets a backstop date of 28 February 2025 and 27 February 2026 for the 2023/24 and 2024/25 periods, respectively, by which we were required to issue our opinion on the financial statements, we have considered these time constraints and concluded 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.

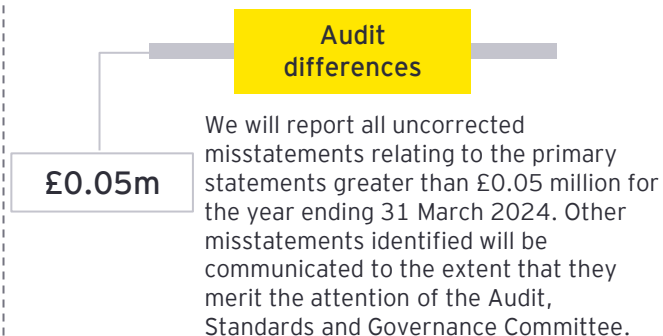
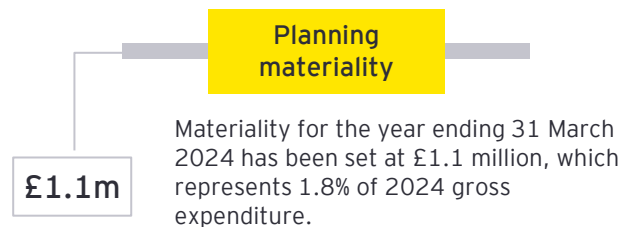
If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (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 2024 and 31 March 2025 we determined that we cannot meet the objectives of the ISAs(UK) and concluded that we will be issuing disclaimed audit reports.

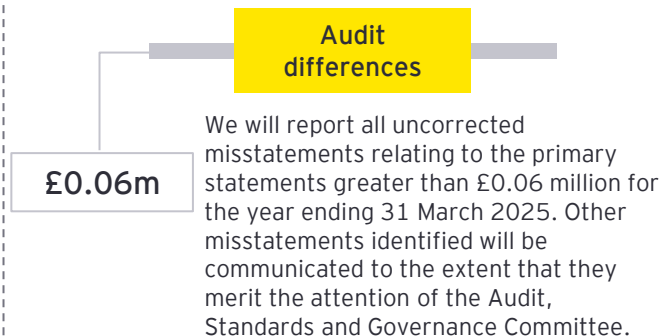
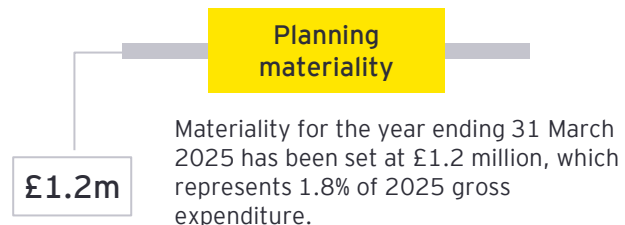
# Work Plan - Materiality

## Materiality

### 2023/24 Materiality Levels



### 2024/25 Materiality Levels



To ascertain the significance of issues in the draft financial statements we have set materiality based on the 2023/24 and 2024/25 audit years. We have considered updating this materiality for any key changes or known factors from that year. We determined that our audit procedures would be performed using the aforementioned materiality levels as they remain appropriate for the actual results for the respective financial years.

These materiality levels have been set based on the Council's financial statements. These levels are being used to assess our response to any issues identified in the Council'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 for 2023/24 and 2024/25 audits. It seeks to provide Those Charged with Governance with an overview of our initial risk identification. The risks below are applicable for both years ended 31 March 2024 and 31 March 2025.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Management Override: Misstatement due to fraud or error	Fraud risk/ Significant risk	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and Fraud risk expenditure recognition	Fraud risk	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grant income, where management has more opportunity to manipulate the period in which the income is reported. Specifically, our risk is focused on the occurrence of income, where management may have overstated income in the current financial year. This is likely to occur around the end of the financial year (i.e. bringing forward income from the subsequent year) and would also lead to an overstatement of Debtors therefore we associate this risk to that balance too.</p> <p>In the public sector, the requirement of ISA 240 is also modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We assess that this risk manifests itself in the understatement of expenditure (completeness of expenditure and associated accruals balances) in order to manage the Council’s financial position. We consider this risk does not apply to payroll. This could also extend to non-recognition of required provisions.</p>
Valuation for Pension assets / liabilities and disclosures	Inherent Risk	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make 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 for scheme assets.</p>
Valuation of property, plant and equipment (PPE)	Inherent Risk	<p>PPE represent significant balances in the Council’s financial statements and are subject to valuation on a periodic basis. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet. We will specifically focus on assets where a higher degree of estimation uncertainty exists:</p> <ul style="list-style-type: none"> <li>• Depreciated Replacement Cost (specialised operational assets for which an active market does not exist);</li> <li>• Fair Value (surplus assets valued at the price that would be received to sell an asset); and</li> <li>• Existing Use Value (operational assets for which there is an active market to provide comparable evidence).</li> </ul> <p>The Council engages external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.</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 to ensure full and fair disclosure by us on matters in which you have an interest.

## Required communications

### Planning stage

- The principal threats, if any, to objectivity and independence identified by 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; and
- Information about the general policies and process within EY to maintain objectivity and independence.

### Final stage

- 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 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 EY and each covered person is independent and, if applicable, any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- 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.

**Overall Assessment** - No non-audit services have been provided for the years ended 31 March 2024 and 31 March 2025. We confirm that EY is independent and the objectivity and independence of Hassan Rohimun, your audit engagement partner and the audit engagement team have not been compromised.

**Self interest threats** - There are no other self interest threats at the date of this report.

A self interest threat arises when EY has financial or other interests in the group. Examples include an investment in the group; significant fees in respect of non-audit services; the need to recover long outstanding fees; or entering into a business relationship with you. We believe it is appropriate to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES). If the ratio of non-audit 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. At the time of writing, there are no non-audit services provided, no non-audit fees and no additional safeguards required. A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded for 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.

**Self review, management and other threats** - There are no such threats at the date of this report.

Self review threats arise if the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. Partners and employees of EY are prohibited from taking decisions on behalf of management of your organisation. 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. Other threats, such as advocacy, familiarity or intimidation, may arise.



## 03 Results and findings



# Results and findings

## Status of the audit

Our audit work for years ended 31 March 2024 and 2025 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 - 2023/24 and 2024/25;
- Receipt of approved and signed statement of accounts, annual governance statement and management representation letter - 2023/24 and 2024/25; and
- Completion of our closing procedures, including final partner review of outstanding areas and risk management procedures to finalize the wording of audits opinions - 2023/24 and 2024/25.

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

## Value for Money

For 2023/24 and 2024/25 we identified five risks of significant weaknesses. Having completed our planned procedures, we will be reporting three and two significant weaknesses in the Council's governance and financial sustainability arrangements for 2023/24 and 2024/25, respectively. Further details of these significant weaknesses are outlined in Section 4 of this report.

## Audit differences - Uncorrected

There are no uncorrected errors misstatements to report for 2023/24 and 2024/25 financial years.

## Audit differences - Corrected

There are no corrected errors misstatements to report for 2023/24 and 2024/25 financial years.

## 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 Reporting Issues

The draft Annual Governance Statements (AGS) for the 2023/24 and 2024/25 financial years, were not consistent with our knowledge of the Council as they did not provide details of the known significant weaknesses in the Council's financial reporting and internal control arrangements.

Management agreed to update the draft 2023/24 and 2024/25 Annual Governance Statements to reflect these known weaknesses and to present updated statements to the Audit, Standards and Governance Committee for approval.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) 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 or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7(2) of Section 24 of the Act. Statutory recommendations under Schedule 7(2) must be considered and responded to publicly and are shared with the Secretary of State.

The predecessor auditor issued statutory recommendations to the Council on 31 October 2022 and on 27 November 2023 with respect to the flawed implementation of a new financial system (ERP) and the subsequent failure of the Council to publish the 2020/21, 2021/22 and 2022/23 draft financial statements in accordance with statutory requirements. We have reviewed the actions taken in response to these recommendations and whilst there were matters impacting the arrangements for effective financial management and financial reporting, we are satisfied that further statutory recommendations are not currently required.

The failure of the Council to publish the draft 2023/24 financial statements represents a significant weakness in financial reporting arrangements (see section 4 of this report) for our 2023/24 audit.

Whilst management have implemented additional processes to mitigate ongoing functionality issues with the ERP system. During 2023/24 and 2024/25 the Council was not able to submit accurate and timely VAT returns, as required by HM Revenue and Customs (HMRC). The failure of the Council to properly administer VAT accounting requirements has had a significant impact with Council having to engage consultants to support officers and the Council agreeing Error Correction Notices (ECNs) with HMRC. These issues represent a significant weakness in arrangements for financial management (see section 4 of this report) and are an instance of noncompliance with laws and regulations (NOCLAR).

## Areas of audit focus

Section 2 of this report includes the areas of audit focus for our audits of the 2023/24 and 2024/25 financial statements. We concluded we would disclaim the audits 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. No detailed testing has been undertaken in relation to 2023/24 and 2024/25. 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 issues; and
- There are no further significant issues you are aware of to be considered before the financial statements are 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, Standards and Governance Committee.



# 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 Council'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;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

In the context of audits for 2023/24 and 2024/25 financial years, such matters include the following:

- Significant qualitative aspects of accounting practices, reflecting significant weaknesses in the Council's financial reporting arrangements, including concerns regarding the organisational capacity and capability for both 2023/24 and 2024/25 financial years. Further details are set out in Section 4 of this report;
- Significant difficulties encountered during the audit, including the failure to prepare and publish the 2023/24 financial statements in accordance with statutory publication deadlines. Further details are set out in Section 4 of this report;
- Correspondence received from a member of public on which we have performed specific procedures and whilst we have not identified any issues impacting our financial statements or VFM responsibilities, we did note areas for improvement as further detailed in section 4 of this report;
- Expected modifications to the auditor's report, including the anticipated issuance of a modified (disclaimer) audit report, together with Value for Money (VfM) exception reporting to reflect significant weaknesses in the Council's arrangements to secure value for money for both 2023/24 and 2024/25 financial years. Refer to Section 4 for further details;
- Findings and issues relating to opening balances, as we are unable to obtain sufficient appropriate audit evidence over opening balances due to disclaimer opinions issued in prior years; and
- Going concern, noting that, as a consequence of the disclaimer of opinion, we do not conclude on, or report in respect of, the Council's use of the going concern basis of accounting for both 2023/24 and 2024/25 periods.

We have no other matters to report.

# Results and findings - Audit Report

## Expected modifications to our audit report

The predecessor auditor's report for 2022/23 included a disclaimer of opinion on the Council's 2022/23 financial statements, issued under the arrangements to reset and recover local government audit. The Council's 2020/21 and 2021/22 financial statements were also subject to a disclaimed audit opinions.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 and 2024/25 in-year movements and closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements and 2023/24 comparative amounts disclosed in 2024/25 financial statements. We did not plan to rebuild this assurance in our 2023/24 and 2024/25 audits.

As set out within this report we have also not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over closing balances and in-year transactions for both 2023/24 and 2024/25 financial years. Taken together with the requirement to conclude our work as the back stop dates for both 2023/24 and 2024/25 have passed and the delays in preparation of draft financial statements for 2023/24 mean we are unable to conclude that the 2023/24 and 2024/25 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing disclaimed 2023/24 and 2024/25 audit opinions.

The form and content of the Audit Report will be shared with the S151 officer to enable you to formally authorise the 2023/24 and 2024/25 financial statements for issue.



# 04 Value for Money



# VFM - Executive Summary

## Purpose

Under the 2024 Code, Auditors are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- 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; and
- Findings from our planned procedures.

## 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 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 Chief Executive, Section 151 Officer, Monitoring Officer and Head of Internal Audit;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team, including the Section 151 Officer.

We completed our risk assessment procedures and identified several risks of significant weaknesses in the Council's VFM arrangements relating to Financial Sustainability and Governance. The procedures we undertook in considering these risks are outlined in the table on the next page.

# VFM - Executive Summary (cont.)

## Risks of Significant Weakness (Cont.)

### Description of risk identified

Section 24 recommendations were issued by the Council's predecessor auditor in relation to Council's financial sustainability and governance arrangements over timely financial reporting due to the flawed ERP system implementation.

This risk is relevant for both 2023/24 and 2024/25.

### What did we do?

Our approach focused on:

- Discussions with management to assess whether the Council has the necessary knowledge and expertise to resolve the key issues with the ERP system in a timely manner;
- How the Council demonstrates that the issues with respect to flawed ERP implementation are resolved;
- When did the Council published the draft financial statements for 2023/24 and 2024/25 financial years;
- What reporting over budget outturns, government returns and in-year financial monitoring was done by the Council and whether the financial information used in such reporting reconciles with the published draft financial statements for 2023/24 and 2024/25; and
- The Council's compliance with laws and regulations.

A significant weakness was reported by the Council's predecessor auditor on the Council's organisational capacity and capability concerning high staff turnover and a high number of the Council's positions being filled through interim / temporary arrangements leading to a loss of corporate knowledge and history, impacting the finance team and audit processes.

This risk is relevant for both 2023/24 and 2024/25.

Our approach focused on:

- Reviewing if there was stability and capacity in the Council's senior leadership team;
- Discussions with management to understand the progress made against the recommendations made by the predecessor auditor;
- Reviewing the Council's progress in implementing its Workforce Strategy by reviewing the Workforce Strategy Board minutes and related reports;
- Reviewing the Council's Annual Governance Statement; and
- Reviewing the Council's Risk Registers for 2023/24 and 2024/25.

Risk of significant weakness in the Council's governance arrangements for ensuring:

- effective operation of internal controls, including arrangements to prevent and detect fraud;
- that it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- that the expected standards of officers and member behaviour is upheld.

This risk is relevant for both 2023/24 and 2024/25.

Our approach focused on:

- Reviewing the whistleblowing log for 2023/24 and 2024/25;
- Reviewing the investigation report prepared by the Council and actions taken thereon;
- Meeting with relevant officers to understand the issues raised and the actions taken in response; and
- Reviewing relevant policies and procedures to understand how such matters are dealt with.

# VFM - Executive Summary (cont.)

## Risks of Significant Weakness (Cont.)

### Description of risk identified

The Council did not submit VAT returns in accordance with statutory requirements. This represents a risk of weaknesses in the Council's financial management arrangements.

The risk is relevant for both 2023/24 and 2024/25.

### What did we do?

Our approach focused on:

- Understanding the system reporting issues and the actions taken by management in response;
- Understanding the scope of tax advisor engaged by the Council to assist with VAT reporting to HMRC;
- Reviewing the correspondence between the Council and HMRC; and
- Reviewing the correspondence between the Council and tax advisor.

The Council has in recent years reported significant underspends against the approved capital budget. Underspends of £8.2m, £9.5m, £7.1m and £4.7m were reported for the 2021/22, 2022/23, 2023/24 and 2024/25 financial years, respectively, against approved respective budgets of £13.2m, £13.1m, £11.1m and £14.7m. This regular and material level of non delivery highlights challenges with the Council to set and realistic capital budgets and deliver the capital programme.

The risk is relevant for both 2023/24 and 2024/25.

Our approach focused on:

- Understanding Council's budget setting process;
- Understanding the reasons for reported underspends;
- Reviewing and comparing actual outturn with approved budgets; and
- Reviewing budget reports submitted to cabinet.

# VFM - Executive Summary (cont.)

## Reporting

The commentary on these risks 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) for 2023/24 and 2024/25.

In accordance with the NAO's 2024 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, at the time of this report, we have concluded that there is a significant weakness in the body's arrangements.

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>Section 24 recommendations were issued by the Council's predecessor auditor in relation to Council's financial sustainability and governance arrangements over timely financial reporting due to the flawed ERP system implementation.</p> <p>This risk is relevant for both 2023/24 and 2024/25.</p>	<p>The Council did not publish its draft statement of accounts for 2023/24 by the publication deadline of 31 May 2024 this represents a significant weakness in arrangements for financial reporting in 2023/24. However, the Council did prepare 2024/25 draft statements of accounts by the publication deadline of 30 June 2025.</p>	<p>Significant weakness identified for 2023/24 only.</p> <p>This issue is evidence of significant weaknesses in proper arrangements for governance and financial sustainability, specifically that the Council does not have effective processes and systems in place to plan finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and support relevant, accurate and timely financial reporting, ensuring corrective action is taken where needed.</p>	<p><b>Financial Sustainability:</b></p> <ul style="list-style-type: none"> <li>How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</li> </ul> <p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>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, including in relation to significant partnerships</li> </ul>

# VFM - Executive Summary (cont.)

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>A significant weakness was reported by the Council's predecessor auditor on the Council's organisational capacity and capability concerning high staff turnover and a high number of the Council's positions being filled through interim / temporary arrangements leading to a loss of corporate knowledge and history, impacting the finance team and audit processes.</p> <p>This risk is relevant for both 2023/24 and 2024/25 financial years.</p>	<p>There has in recent years been significant turnover within the Council's senior leadership team, specifically in respect of the Section 151 Officer role. In addition, there have been capacity issues with the Council's finance team. These changes have weakened the Council's arrangements for ensuring that there is effective financial stewardship to support effective governance and decision making. There has also been a loss of corporate knowledge that has adversely impacted on the Council's financial management, including their ability to support the audit process.</p> <p>Although the Council agreed a Workforce Strategy in May 2023 and established a Workforce Strategy Board to oversee the implementation of the strategy, these arrangements were not fully effective during 2023/24 and 2024/25 and as a result actions to address the underlying capacity constraints to enable the Council to fully deliver its corporate priorities remained outstanding.</p> <p>This represents a significant weakness in the Council's governance arrangements for 2023/24 and 2024/25.</p> <p><b>Recommendations</b></p> <p>The Council should ensure that the actions required to deliver its Workforce Strategy are robustly monitored to achieve delivery and where relevant mitigating actions are identified and agreed for areas of non delivery.</p> <p>The Council also needs to ensure that the finance team has adequate resources to enable the effective discharge of financial management responsibilities.</p>	<p>Significant weakness identified for 2023/24 and 2024/25.</p> <p>This issue is evidence of significant weaknesses in proper arrangements for Governance, specifically how the Council ensures that it makes informed decisions and properly manages its risks.</p>	<p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee</li> </ul>

# VFM - Executive Summary (cont.)

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>Risk of significant weakness in the Council's governance arrangements for ensuring:</p> <ul style="list-style-type: none"> <li>effective operation of internal controls, including arrangements to prevent and detect fraud;</li> <li>that it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and</li> <li>that the expected standards of officers and member behaviour is upheld.</li> </ul> <p>This risk is relevant for both 2023/24 and 2024/25 financial years.</p>	<p>We received correspondence from a member of the public which raised concerns in respect of maintenance services relating to:</p> <ul style="list-style-type: none"> <li>Risk management and fraud oversight;</li> <li>Transparency and public access;</li> <li>Governance and Audit, Standards and Governance Committee oversight; and</li> <li>Conflict of interest disclosures.</li> </ul> <p>In considering the issues above we did not identify a significant weakness in the Council's arrangements for 2023/24 or 2024/25, however, we did identify that:</p> <ul style="list-style-type: none"> <li>Findings and improvement actions arising from whistleblowing matters are not being routinely reported to the Audit, Standards and Governance Committee.</li> <li>There was scope to ensure that the Monitoring Officer is engaged at an early stage and throughout the investigation process.</li> <li>The Council should establish a set procedure to ensure that related party relationships and conflict of interests are identified, complete and reported on a timely basis.</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>The Audit, Standards and Governance Committee should receive regular reports on whistleblowing activities.</li> <li>The Council should ensure that the Monitoring Officer is appropriately engaged throughout the whistleblowing investigation process.</li> <li>The council should establish a set procedure to ensure that related party relationships and conflict of interests are identified, complete and reported on a timely basis.</li> </ul>	<p>No significant weakness with respect to this risk was identified for 2023/24 and 2024/25.</p>	<p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.</li> <li>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.</li> <li>How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.</li> </ul>

# VFM - Executive Summary (cont.)

## Risks of significant weaknesses in arrangements identified?

The Council did not submit VAT returns in accordance with statutory requirements. This represents a risk of weaknesses in the Council's financial management arrangements.

The risk is relevant for both 2023/24 and 2024/25 financial years.

## Findings/ Recommendations

Due to deficiencies arising from the flawed ERP system implementation, the Council did not have the required reporting mechanisms in place to prepare and complete monthly VAT returns. Consequently, VAT returns covering the period from 1 April 2021 to 31 October 2024 were not submitted on time. The Council engaged a tax advisor to support it in resolving this matter, including liaison with HMRC and the submission of an Error Correction Notice (ECN) in December 2024. Monthly VAT returns from November 2024 were submitted however, during 2025/26 management identified further system reporting issues impacting the accurate completion of VAT returns. This resulted in further ECNs being submitted to HMRC from June 2025. Management has submitted two ECNs to date resulting in a net payable amount to HMRC of £ 0.03 million and they are currently in the process of finalising another ECN which is expected to be submitted in June 2026. This represents a significant weakness in Council's governance arrangements for 2023/24 and 2024/25.

### Recommendations

The Council should ensure that there is accurate and timely submission of all statutory returns.

## Actual significant weaknesses in arrangements identified?

Significant weakness identified for 2023/24 and 2024/25.

This issue is evidence of significant weaknesses in proper arrangements for Governance, specifically that the Council did not have appropriate systems in place to ensure there were accurate and timely management information to support its financial reporting responsibilities.

## Reporting criteria

### 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, including in relation to significant partnerships

# VFM - Executive Summary (cont.)

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>The Council has in recent years reported significant underspends against the approved capital budget. Underspends of £8.2m, £9.5m, £7.1m and £4.7m were reported for the 2021/22, 2022/23, 2023/24 and 2024/25 financial years, respectively, against approved respective budgets of £13.2m, £13.1m, £11.1m and £14.7m. This regular and material level of non delivery highlights challenges with the Council to set and realistic capital budgets and deliver the capital programme.</p> <p>The risk is relevant for both 2023/24 and 2024/25 financial years.</p>	<p>Whilst our review of the capital programme noted that there have been significant underspends against budget, we noted that:</p> <ul style="list-style-type: none"> <li>The underspend mainly relates to Levelling Up Fund Schemes including the Market Street re-design and the Windsor Street demolition still being in the early stages.</li> <li>Where the Council has made decisions to delay the commencement of capital projects the Council has agreed with central government funding departments the new project timetable and that funding will not need to be repaid.</li> <li>As the areas of underspend predominately relate to externally funded Levelling Up Schemes, there is no increased borrowing risk for the Council.</li> </ul> <p>As a result, we have not identified a significant weaknesses Council's governance arrangement.</p> <p><b>Recommendations</b></p> <p>To set more realistic capital budgets the Council should review the capital programme and assess if it has the capacity and resources to deliver planned projects within originally planned timescales.</p>	<p>No significant weakness with respect to this risk was identified for both 2023/24 and 2024/25 financial year.</p>	<p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>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, including in relation to significant partnerships</li> </ul>

# Results and findings - Recommendations

## Financial controls

As part of our audit, we are required to communicate to you:

- Significant deficiencies in internal control; and
- Our views on the effectiveness of internal control relevant to risks that may affect financial reporting and other risks arising from the entity's business model and the effectiveness of related internal controls.

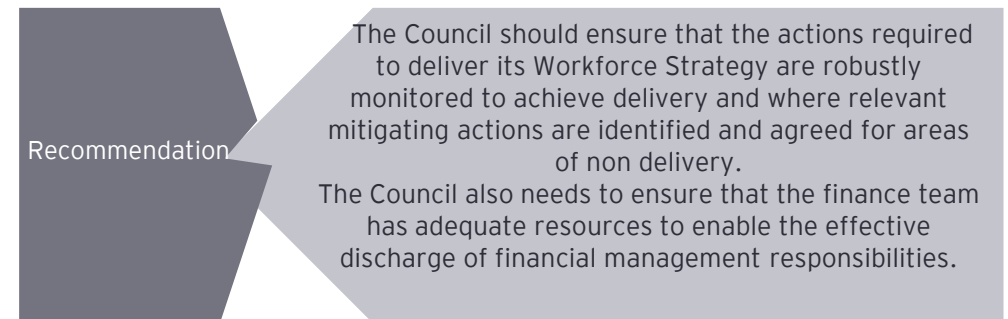
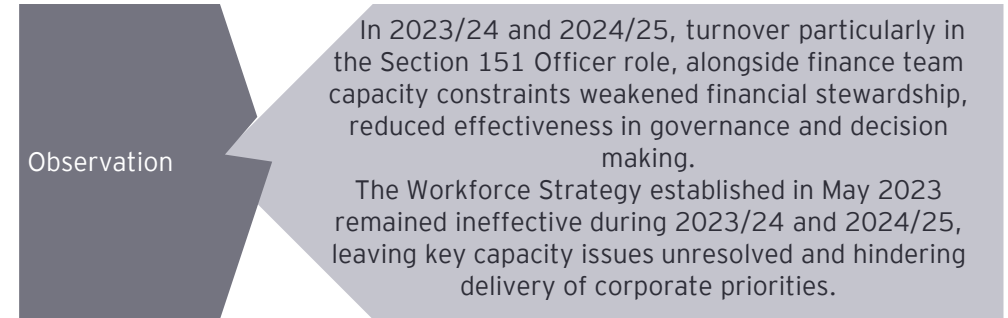
These communications need to be pre financial statement approval in order for the Audit, Standards and Governance Committee to be able to fulfil their duties.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2023/24 and 2024/25 audit.

	High	Moderate	Low	Total
Improvement recommendations	3	5	-	8

### Key:

- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.



# Results and findings - Recommendations



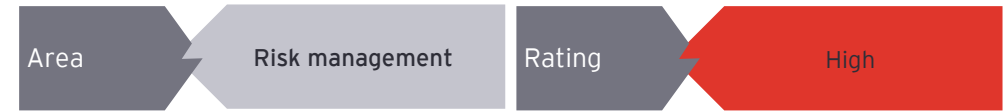
**Observation**

Due to deficiencies arising from the flawed ERP system implementation, the Council did not have the required reporting mechanisms in place to prepare and complete monthly VAT returns. Consequently, VAT returns covering the period from 1 April 2021 to 31 October 2024 were not submitted on time.

**Recommendation**

The Council should ensure that there is accurate and timely submission of all statutory returns.

**Management comment**



**Observation**

During our review of the Council's risk management process, we noted the absence of: specified controls for each risk and named officers responsible for each risk.

The risk management process also did not define the Council's risk appetite or summarise changes in risk assessments to highlight the direction of travel.

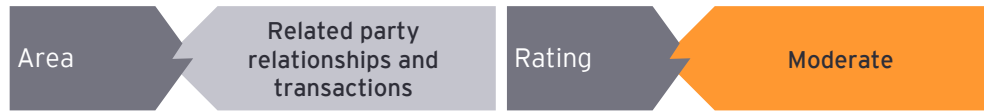
**Recommendation**

The Risk Management Framework should: identify the relevant key controls for each risk; ensure responsible officers are identified; and highlight the direction of travel for each key risk.

The Council should also clearly define its risk appetite.

**Management comment**

# Results and findings - Recommendations



**Observation**  
There are currently no procedures established by the Council to monitor the completeness of related parties.

**Recommendation**  
The Council should establish a set procedure to ensure that related party relationships and conflict of interests are identified, complete and reported on a timely basis

**Management comment**



**Observation**  
A significant number of the Council's policies are old and there is a risk that they do not reflect current legislative or regulatory requirements. We also noted that the Anti-Fraud policy is hosted on modern.gov rather than on the Council's own website.

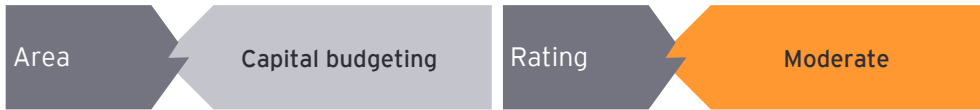
**Recommendation**  
The Council should ensure that all policies have been reviewed, and where relevant updated, and are available on the Council's website.  
  
The should have in place a framework to regularly review policies, with responsible officers clearly identified and expected dates for future reviews identified.

**Management comment**

# Results and findings - Recommendations

Area	Governance and accountability	Rating	Moderate	Area	Governance	Rating	Moderate
Observation	There was scope to ensure that the Monitoring Officer is engaged at an early stage and throughout the investigation process.			Observation	Whistleblowing matters were not routinely reported to the Audit, Standards and Governance Committee, limiting member oversight, transparency and assurance over how such concerns are managed.		
Recommendation	The Council should ensure that the Monitoring Officer is appropriately engaged throughout the whistleblowing investigation process.			Recommendation	The Audit, Standards and Governance Committee should receive regular reports on whistleblowing activities.		
Management comment				Management comment			

# Results and findings - Recommendations



**Observation**

The Council has in recent years reported significant underspends against the approved capital budget. Underspends of £8.2m, £9.5m, £7.1m and £4.7m were reported for the 2021/22, 2022/23, 2023/24 and 2024/25 financial years, respectively, against approved respective budgets of £13.2m, £13.1m, £11.1m and £14.7m.

**Recommendation**

To set more realistic capital budgets the Council should review the capital programme and assess if it has the capacity and resources to deliver planned projects within originally planned timescales.

**Management comment**



# 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]

Hassan Rohimun  
Ernst & Young LLP  
Manchester

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of Bromsgrove District Council ("the Authority") for the year ended 31 March 202X. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Authority financial position of Bromsgrove District Council as of 31st March 202X and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable].

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

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

purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable].
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable], and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.
4. As members of management of the Authority, we believe that the Authority have 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 2023/24 [or 2024/25 as applicable] for the Authority that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

# Appendix A – Management representation letter (Cont.)

## 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

6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

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

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

operations of the Authority's business, its ability to continue in business, or to avoid material penalties;

- Involving management, or employees who have significant roles in internal control, or others; and
- 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. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the consolidated and parent Authority financial statements.
3. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements
4. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which

# Appendix A – Management representation letter (Cont.)

## 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

minutes have not yet been prepared) held through 2023/24 [or 2024/25 as applicable] to the most recent meeting.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.
6. 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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable].
7. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From 1st April 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial

statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 29 to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

### E. Going Concern

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

### F. Subsequent Events

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

# Appendix A – Management representation letter (Cont.)

## 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

thereto.

### G. Other information

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

### H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment and Investment Properties and the IAS 19 actuarial valuation of Pensions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### I. Estimates - IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties

1. We confirm that the significant judgments made in making the IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties estimates.
3. We confirm that the significant assumptions used in making the IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable].
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Authority financial statements.

# Appendix A – Management representation letter (Cont.)

## 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

### J. 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.

### K. Reserves

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

### L. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and parent Authority financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

Yours faithfully,

\_\_\_\_\_  
Section 151 Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chair of the Audit and Governance Committee

# Appendix B – PSAA Statement of Responsibilities

As set out on the next 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.*

# Appendix C – 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 on the previous .

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

	2023/24	2024/25
	£'s	£'s
Scale Fee - Code Work	148,522	163,302
Determined Scale Fee Variation	Note 1	Note 1
<b>Total audit</b>	<b>Note 1</b>	<b>Note 1</b>
<b>Total other non-audit services</b>	<b>-</b>	<b>-</b>
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

*All fees exclude VAT*

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2023/24 and 2024/25

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

# Appendix D – Required communications with the Audit and Governance Committee

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

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

# Appendix D – Required communications with the Audit and Governance Committee (Cont.)

## Our Reporting to you

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

# Appendix D – Required communications with the Audit and Governance Committee (Cont.)

## Our Reporting to you

Required communications	What is reported?	When and where
Independence	<ul style="list-style-type: none"> <li>• Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</li> <li>• Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:               <ul style="list-style-type: none"> <li>• The principal threats;</li> <li>• Safeguards adopted and their effectiveness;</li> <li>• An overall assessment of threats and safeguards; and</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence.</li> </ul> </li> <li>• Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</li> </ul>	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur.</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of.</li> </ul>	This Completion report for Those Charged with Governance
Group audits	<ul style="list-style-type: none"> <li>• An overview of the type of work to be performed on the financial information of the components.</li> <li>• 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.</li> <li>• 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.</li> <li>• Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.</li> <li>• 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.</li> </ul>	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance.	This Completion report for Those Charged with Governance

# Appendix D – Required communications with the Audit and Governance Committee (Cont.)

## Our Reporting to you

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

# Appendix E - 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 E - Non-Compliance with Laws and Regulations (NOCLAR) (cont.)

## 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 F – Other Communications

## EY Transparency Report 2025

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: [EY UK 2025 transparency report](#)

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