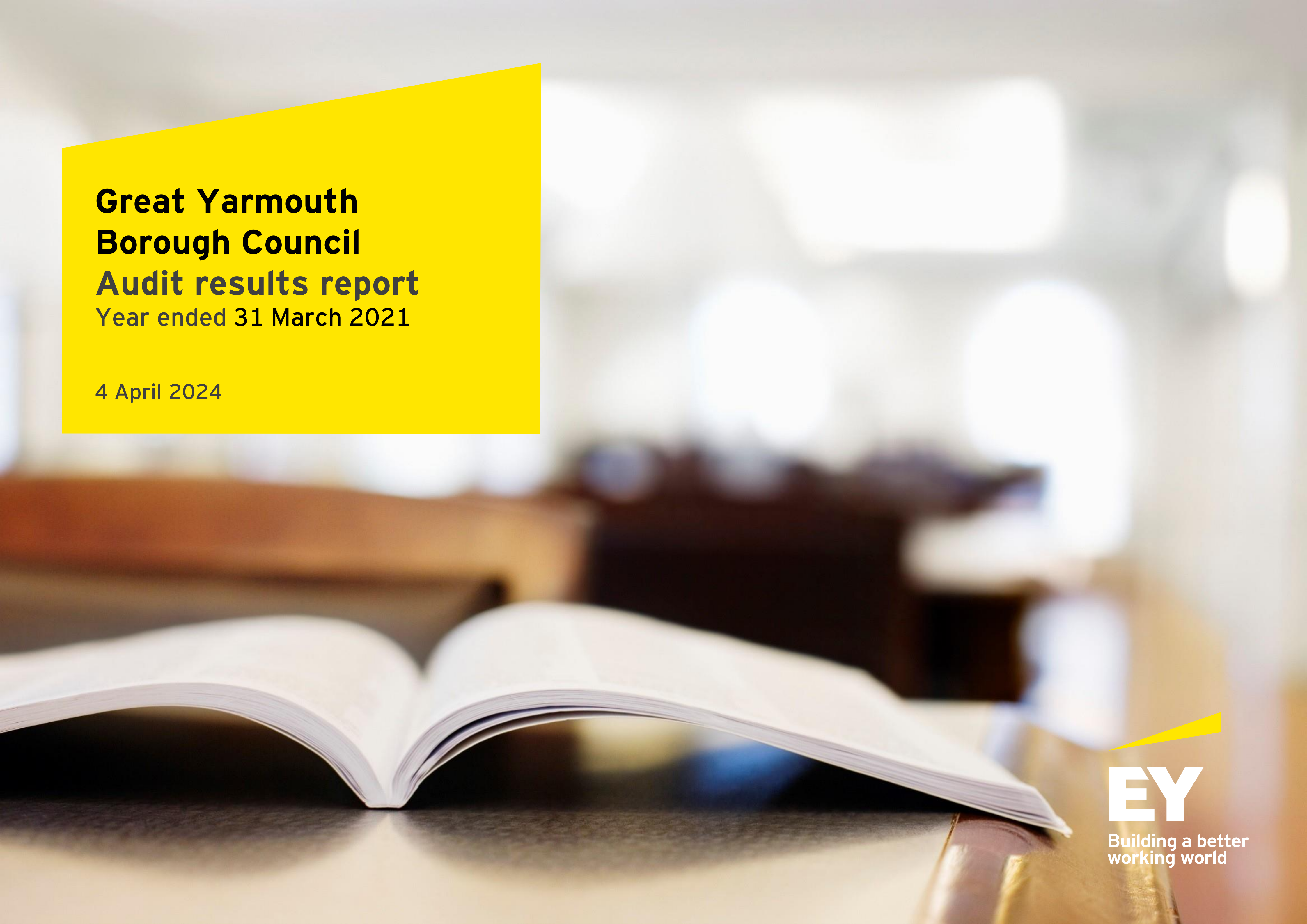
Great Yarmouth Borough Council

Audit results report

Year ended 31 March 2021

4 April 2024



Building a better working world

4 April 2024

Audit and Risk Committee
Great Yarmouth Borough Council
Hall Plain
Great Yarmouth, NR30 2QF

Dear Audit and Risk Committee Members

2020/21 Audit Results Report

We are pleased to attach our final Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit and Risk Committee. This report provides an update to our Provisional Report presented to the Committee on 31 October 2022. There has been a significant elapsed time between the issue of the Provisional report and this final report due to the complexity of the issues we have identified and delays in the receipt of information to enable us to complete our opinion and value for money work.

The audit is designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Great Yarmouth Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements in section 5.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Committee meeting on 14 April 2024.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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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 (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit and Risk Committee and management of Great Yarmouth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Risk Committee and management of Great Yarmouth Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Risk Committee and management of Great Yarmouth Borough 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

Scope update

In our Audit Planning Report, presented to the 18 July 2022 Audit and Risk Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with our Plan, with the following updates:

Audit timeline

When we reported to the committee in October 2022, we indicated that due to weaknesses identified in the Council's value for money arrangements we expected there to be a delay in our ability to report on the audit. Unfortunately due to the complexity of these issues and difficulties with obtaining relevant supporting evidence this delay has extended significantly requiring more time to resolve than expected. We have referred to issues with capacity in previous Audit Result Reports and this continues to be an issue which impacted on the completion of the audit.

Revisiting materiality

We revisited our planning materiality assessment, which was set using the draft Statement of Accounts and also reconsidered our risk assessment. As a result, we did not make any changes to the levels previously set, with overall materiality remaining at £1.46 million for the Council (Group - £1.64 million), which represents 2% of the current years gross expenditure on provision of services. Performance materiality remained at £0.73 million for the Council (group – £0.82 million), which represents 50% of materiality.

Additional audit procedures as a result of Covid-19

There have been a number of changes in the Council and regulatory environment as a result of Covid-19. These have not resulted in an additional risk that were not already included in our Audit Plan (such as accounting for Covid related grant income), but have had the following impacts on our audit strategy:

- **Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the Council due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:
    - Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
    - Agreed IPE to scanned documents or other system screenshots.

Executive Summary

Status of the opinion audit

We have substantially completed our audit of Great Yarmouth Borough Council's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue a modified opinion on the Council's financial statements in the form which it appears in section 03.

- Receipt and review of the final signed version of the financial statements
- Completion of subsequent event procedures up to the date of audit report
- Receipt of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

Corrected differences:

Our audit identified a large number of differences in the accounts which management have corrected. The level of error indicate weaknesses in the arrangements for the production and quality assurance of the accounts and supporting working papers. We have included the main differences here:

- Beacon park valuation overstated by £0.82 million
- Pension liability overstated by £1.09 million
- Bad debt provision overstated by £0.464 million
- Debtors overstated by £0.148 million
- Creditors understated by £0.185 million.

Corrected reclassification differences :

- Reclassification of £6.0 million from cash and cash equivalents to short term investments to reflect the nature of the assets
- Incorrect posting of the journal for revaluation movements for council dwellings of £2.832 million, which resulted in incorrect posting to the CIES, MIRS, revaluation reserve and capital adjustment account
- Reclassification of the Market Place Car Park from investment properties to other land and buildings of £0.415 million.
- Reclassification of Market Place Redevelopment costs from investment property assets under construction to property, plant and equipment assets under construction of £0.648 million
- Reclassification of interest payable from short term creditors to short term borrowings £0.264 million
- Reclassification of collection fund debtor to creditor £0.096 million

Corrected group audit differences

- Note 8 adjustment to net surplus deficit on the provision of services did not reconcile to the cash flow statement in the amount of £0.616 million
- Opening cash and cash equivalents in cash flow was overstated by £0.145 million
- Note 6 short term creditors was overstated by £13.4 million and did not reconcile to the balance sheet.

Audit differences - continued

Disclosure differences

We also identified a number of errors in disclosures which management have amended for.

- Note 20 Financial Instruments (Liquidity Risk Table) – assets maturing in 1-2 years had been incorrectly disclosed in the current year and prior year due to a formula error within the supporting workings. The impact is a £2.233 million overstatement in both years. This also resulted in a prior year adjustment. Management have corrected for both the current year and prior year misstatement within the 2020/21 accounts. We undertook additional work to ensure that the final adjusted figures were materially complete and accurate, and that the prior year adjustment was adequately disclosed. We also identified two further issues: a manual error within the supporting workings which overstated the assets maturing in less than 1 year by £5.035 million in the current year; and a formula error which understated the assets with an uncertain maturity date by £5.232 million in the current year. These have both been adjusted for by management.

- Note 35 Related Parties Transactions – we identified several issues through our testing. A £0.010 million business grant to a trust related to a Councillor was not disclosed. A manual calculation error overstated the profit share from Great Yarmouth Norse Limited by £0.002 million. There were also a small number of significant related party transactions that were not disclosed explicitly within the note with Community Safety Ltd of £0.332 million and New Anglia Local Enterprise Partnership of £0.300 million.

We have identified other disclosure adjustments, but do not consider these to warrant being brought to your attention. Overall however the level of disclosure errors in the accounts were higher than we would expect.

Uncorrected Differences

- A £0.118 million overstatement of investment properties and £0.029 million overstatement of property, plant and equipment (total £0.147m) due to incorrect net profit calculations used for two pay & display carparks valuations.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of the Council. We have the following matters to report as a result of this work.

We recommended that the Council should update the AGS to include the reference to the control deficiencies identified in relation to a number of areas as noted below, which we have identified as risks of significant weakness in relation to our VFM assessment:

- the Council's self-referral to the regulator for social housing in relation to failure to achieve the decent home standard and a number of issues which meant that the Council breached the Home Standard;
- weaknesses identified in the management of the contract with Great Yarmouth Norse in relation to housing repairs and management; and
- weaknesses in the management of the market redevelopment.

The Council have now appropriately updated the AGS to consider these areas.

Central government has completed their work on the Whole of Government Accounts and confirmed that no further submissions are required. As in previous years, the Council was below the threshold that required us to undertake any detailed procedures and the Council was not selected for further testing.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

We have however noted a number of areas where the controls related to the production of the financial statements require improvement. Further details are included in section 6. The areas identified include:

- Accuracy of the group cash flow statement, which was also identified in the prior year.
- Debtors and creditors listing, which was also identified in the prior year and is commented on further in section 2.
- Accuracy of operational leases, which was also identified in prior year.
- Infrastructure assets – we recommend that the Council put in place a written policy for dealing with subsequent expenditure on assets already in existence.
- Component Equinox Enterprises Ltd – VAT returns incorrectly included house sales for new builds as exempt instead of zero rated.

Based on the above findings, arrangements to ensure sufficient quality review of the financial statements and supporting working papers need to be strengthened. Based on the level of errors identified we expect to continue to apply a 50% performance materiality in future audits. This results in additional testing and therefore an increased audit fee.

Independence

Please refer to Section 8 for our update on Independence.

Executive Summary

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Great Yarmouth Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Type of risk	Description	Findings and conclusion
Fraud risk	Management override: Misstatements due to fraud or error	We have completed our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management override of controls.
Fraud risk	Management override: Inappropriate capitalisation of revenue expenditure	We have completed our work in this area and have no matters to report.
Significant risk	Investment property valuation	We have completed our work in this area and have identified audit differences which are included in more detail in section 4.
Significant risk	Accounting for Covid-19 related grant funding	We have completed our work in this area and have no matters to report.
Significant risk	Infrastructure assets	We have completed our work in this area and have no matters to report. We have however requested that management produce a written policy on how subsequent expenditure on infrastructure assets is accounted for.
Higher inherent risk	Pension liability valuation	We have completed our work in this area and have identified audit differences which are included in more detail in section 4.
Higher inherent risk	Land and buildings valuation	We have completed our work in this area and have identified audit differences which are included in more detail in section 4.
Higher inherent risk	Group accounts preparation	We have completed our work in this area and have identified audit differences which are included in more detail in section 4.

Executive Summary

Type of risk	Description	Findings and conclusion
Higher inherent risk	Accuracy of the Council and Group cashflow statement	We have completed our work in this area and have identified audit differences which are included in more detail in section 4.
Higher inherent risk	Debtors and creditors – accuracy of balances	We have completed our work in this area and have identified audit differences which are included in more detail in section 4.
Higher inherent risk	NDR appeals provision	We have no matters to report as a result of completing our planned procedures. We concluded that the assumptions made by the Council were appropriate and the provision calculation was reasonable.
Higher inherent risk	Expenditure and Funding Analysis Statement	We have completed our work in this area and have no matters to report.
Higher inherent risk	Going concern disclosure	We have completed our work in this area and have no matters to report.

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

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

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

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias :

- Accounting estimates including the bad debt provision and business rates appeals provision (IP/PPE valuation and IAS 19 estimates are considered on the next slides)
- Manual journal entries
- Unusual transactions

What did we do?

- Assessed fraud risks during the planning stages of our audit.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
  - Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
  - Assessed accounting estimates for evidence of management bias, and
  - Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business

Significant Risk

Significant risk

Misstatements due to fraud or error – Incorrect capitalisation of revenue expenditure

What is the risk?

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure.

The Council's capital programme for 2020/21 was £29 million and is therefore significant.

We also consider this risk to manifest itself through inappropriate classification of expenditure as revenue expenditure funded from capital under statute (REFCUS). As REFCUS in 2020/21 is only £0.671 million and therefore not material we have not identified this as an area of significant risk for 2020/21.

What judgements are we focused on?

We focussed on the testing capital expenditure and obtaining evidence that additions have been correctly classified as capital expenditure.

What did we do?

- Sample tested additions to property, plant and equipment to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- We extended our testing of items capitalised in the year by lowering our testing threshold. We will also reviewed a larger random sample of capital additions below our testing threshold.
- As part of our journal testing strategy, we reviewed unusual journals related to capital expenditure posted around the year-end; for example where the debit is to capital expenditure and the credit to income and expenditure

What are our conclusions?

We did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position through the inappropriate capitalisation of revenue expenditure.

Significant Risk

Significant risk

Investment property valuation

What is the risk?

The Council's investment property totals £51.68 million as at 31 March 2021 (per the draft Financial Statements) which represents a significant balance in the Council's accounts and is subject to valuation changes and impairment reviews. Material judgements and estimation techniques are required to calculate the year-end balances.

Covid-19 is expected to continue to have an impact on valuation for properties measured at fair value (i.e. investment properties) since rental income may fall as tenants' potentially default on their rents and seek to negotiate rent reductions where they can no longer trade effectively.

There is a therefore a risk that investment property may be misstated or the associated accounting entries incorrectly posted.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the valuations which could have a material impact on the financial statements, primarily:

- any significant changes in the asset base;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

- Assessed the classification of the assets and whether the appropriate valuation basis has been applied.
- Identified and obtained evidence to support any material increases or impairments that arose during the year.
- Considered the work performed by the Council's external valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Tested accounting entries, ensuring these have been correctly processed in the financial statements.
- As we have identified a higher degree of risk in relation to the valuation of investment property assets as at 31 March 2021, we have also considered how the Council's valuer has addressed the impact of Covid-19 in the year-end valuation of this assets and their assessment of any impairment.

Significant risk (continued)

Investment property valuation

What are our conclusions?

Our work on the valuation of investment property held at fair value is complete. We identified several misstatements throughout our testing.

- There was a misclassification of £0.415 million relating to Market Place car park identified within investment properties, which should have been classified as land and buildings. This was corrected by management.
- There was a misclassification of £0.648 million relating to Market redevelopment identified within investment properties asset under construction, which should have been classified as land and buildings asset under construction. This was corrected by management.
- There was a £0.118 million understatement of the Market Place pay & display car park as a result of an incorrect net profits calculation. Management have opted not to correct this difference.

We did not identify any issues in regards to the assumptions and methodologies applied to the valuation of investment properties. We have concluded that the:

- Use of methodologies was in line with standard valuation practices;
- Use of rates were supportable by evidence or market data; and
- Inputs into the valuation calculation, such as land areas, rent passing and useful lives were appropriate.

Significant risk

Covid-19 related grant income

What is the risk?

The Council has received a significant level of additional government funding in relation to Covid-19.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements. The Council will also need to consider whether they are acting as principal or agent as this will also impact on the accounting requirements.

What judgements are we focused on?

We focused on the following key judgements in relation to accounting for Covid-19 grants:

- managements classified of grants as principal or agent and whether and whether any specific conditions have been appropriately reflected; and
- Whether grants have been correctly classified in the financial statements based on any restrictions imposed by the funding body.

What did we do?

- Reviewed managements assessment of accounting treatment for Covid-19 grants and comparing this to data collected from other councils in a benchmarking exercise. This provided a risk assessment and identified where testing should be focused;
- Sample tested Government grant income to ensure that grants have been correctly classified as principal or agent and whether and specific conditions have been appropriately reflected;
- Sample tested Government grant income to ensure that grants have been correctly classified in the financial statements based on any restrictions imposed by the funding body; and
- Reconciled those primary statement balances to the detailed notes within the statement of accounts to ensure appropriate presentation of grant income and internal consistency within the accounts.

What are our conclusions?

Our sample testing of Covid-19 grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.

Our work also did not identify any grants where the Council's assessment of their role as 'agent' or 'principal' was inappropriate.

Significant risk

Infrastructure assets

What is the risk?

A national issue has been identified via the NAO's Local Government Technical Group relating to accounting for infrastructure assets. The issue is that local authorities may not be writing out the gross cost and accumulated depreciation on infrastructure assets when a major part or component has been replaced or decommissioned. The Council holds infrastructure assets at a net book value of £14.3 million (per the draft accounts) which is a material balance.
We will need to understand the Councils' approach to subsequent expenditure on infrastructure assets and assess the appropriateness of gross and net book values recorded to the accounts and ensure the Council's approach is in line with the Cipfa code of Practice (the Code). DLUHC issued a Statutory Instrument which came into effect on 25 December 2022. This allowed for a temporary change in accounting rules in this area giving authorities the option to account for infrastructure assets on a net rather than gross basis. CIPFA also released an update to the Local Authority Accounting Code and a Local Authority Accounting Panel (LAAP) bulletin was issued which provided practitioners guidance on how they should account for Infrastructure Assets should an Council wish to adopt the Statutory Instrument.

What did we do and what judgements did we focus on?

To address this risk we:

- Obtained an understanding from management of the accounting policy for treatment of subsequent expenditure on infrastructure assets and compared this against the Cipfa Code of Practice to ensure the correct approach is being taken;
- Inspected current year additions and historical balances for infrastructure assets dating back to implementation of IFRS in 2010/11 to identify material additions for testing;
- Undertook testing to determine if these represent new assets or refurbishments to extend the life of the asset and determine if componentization and derecognition has been appropriately undertaken;
- Considered any updates from the CIPFA following their urgent consultation on temporary changes to the Code.

What are our conclusions?

We have tested current and prior year additions where they are material (additions were material in 2014/15, 2015/16 and 2018/19). This has confirmed that additions tested relate to new expenditure, predominantly on Beacon Park, rather than subsequent expenditure on an asset that was already in existence.

Overall we have concluded that infrastructure assets are not materially misstated and are accounted for in line with the Cipfa Code. The Council has not applied the statutory override or code adaptation.

We have noted that the Council does not have a written accounting policy for the subsequent expenditure on infrastructure. We recommend that the Council produces a written policy for this.

Other areas of audit focus

Pension liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by the Council. The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. At 31 March 2021, this totalled £73.8 million (per the draft accounts). The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

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

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- The reasonableness of the underlying assumptions used by the Council's expert, the actuary;
- The accuracy and completeness of the information supplied to the actuary in relation to Great Yarmouth Borough Council; and
- The reasonableness of any significant changes in assumptions made by the actuary.

What did we do?

- Liaised with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Great Yarmouth Borough Council;
- Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering the review of the PWC report by the EY actuarial team;
- Reviewed Norfolk Pension Fund's draft financial statements and compare the year end asset values with the estimate used by the actuary in producing the Council's IAS 19 report and considered the impact on he Council's pension fund liability and IAS19 disclosures;
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Considered the nature and value of level 3 investments held by Norfolk Pension Fund and the proportion of the overall Fund relating to Great Yarmouth in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021
- Engaged the EY actuarial team to recalculate an estimate of the pension liability and consider any variation from output from the Council's management expert.
- Obtained and reviewed the latest Norfolk Pension Fund 2022 triannual valuation report and the supporting IAS19 reports to consider any potential impacts on the 2020/21 financial year.

Other areas of audit focus (continued)

Pension liability valuation

What are our conclusions? (continued)

The response from the Pension Fund auditor provided assurance over the information provided to the actuary in relation to the Council. Their response did however note that investment asset valuations within the Pension Fund accounts were understated due to timing differences between the assumptions used by the actuary in the production of the initial IAS19 report and the actual asset values at year end. The revised IAS 19 report from the Actuary, included updated asset values which resulted in the Council's Pension Fund Liability in the draft accounts being overstated by £1.097 million. They also reported a £0.2 million difference between benefits paid by the pension fund and those included within the IAS 19 report and disclosed in the notes to the accounts See section 4 for further information.

We have agreed the Council's updated IAS 19 disclosures to the revised actuaries' report to ensure these are fairly stated in the accounts. The disclosures in the accounts have been appropriately amended to reflect the most recent valuation of the Pension Fund's assets as per the updated IAS 19 report from the actuaries, as noted above , but have not been amended in relation to the difference in the benefits paid noted by the pension fund auditor.

We responded to the requirements of the new auditing standard on accounting estimates, which requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. We therefore engaged our own EY actuaries to develop an independent point estimate to ensure the validity of the Actuary's model based on data received from the Council. We compared our auditor's estimate to the figures produced by the Actuary as at 31 March 2021. The difference between the two was less than 1.0% of the Pension liability amount. We have therefore concluded that the Council's Pension Liability falls within an acceptable range, thereby giving us assurance over the Actuary's estimation approach.

Other areas of audit focus (continued)

Pension liability valuation

What are our conclusions? (continued)

In light of the latest Norfolk Pension Fund 2022 triannual valuation report being issued in 2023, we obtained and reviewed the report alongside the supporting IAS19 reports to consider if there was a material impact on the 2021 financial year.

We have considered the available information from the triennial valuation report. We have taken account of the management information that could have been available and assessed by management at the balance sheet date, and have concluded that neither the membership data for the actual cash flows compared to the estimates indicate a material error for either the gross asset or gross liability within the pension calculation.

Neither gross asset nor gross liability has unexplained movements > +/- 2%, which we consider within acceptable estimation bounds due to the inherent uncertainty involved, and the available information does not indicate that the variation would be more significant as at 31 March 2021.

We therefore consider that the triennial valuation does not provide evidence that indicates the estimate as at 31 March 2021 is not materially accurate, and there is no contrary evidence to that we have previously considered in our previous procedures.

Other areas of audit focus

Land and buildings valuation

What is the risk?

Land and buildings represent significant balances in the Council's accounts, totalling £323 million as at 31 March 2021 (per the draft accounts). Management is required to make material judgements and apply estimation techniques to calculate the year-end balances. There is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.

What judgements are we focused on?

We focused on aspects of the valuations which could have a material impact on the financial statements, primarily:

- any significant changes in the asset base;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

- Evaluated the selection and application of accounting policies established to determine whether the accounting policies are being applied in an inappropriate manner;
- Ensured the correct classification of the Council's land and buildings and that the appropriate valuation basis has therefore been adopted;
- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme for property, plant and equipment as required by the Code. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

We also considered how the Council's valuer has addressed the continued impact of Covid on the year-end valuation of assets and assessment of impairments and whether we needed to engage EY valuation specialists to assist the audit team in relation to this assessment, which we concluded we did not.

Other areas of audit focus (continued)

Land and buildings valuation

What are our conclusions?

Our work on the valuation of land and building valued at fair value and existing use value is complete.

A significant classification issue was identified in the Council Dwelling valuations movements. £2.832 million of net gains were incorrectly recognised in the comprehensive income and expenditure statement rather than the revaluation reserve. This was due to formula errors within the workbook that were not appropriately considering the brought forward impairment or revaluation reserve at an individual asset level, in order to post the gain/loss movement to the correct account.

We identified an overstatement of £0.668 million in the valuation of Beacon Park identified in the prior year, The asset was revalued in current year and we are satisfied that the resulting valuation at 31 March 2021 is materially accurate.

We did not identify any issues in regards to the assumptions and methodologies applied to the valuation of land and building assets. We have concluded that the:

- Use of methodologies was in line with standard valuation practices;
- Use of rates were supportable by evidence or market data; and
- Inputs into the valuation calculation, such as land areas, rent passing and useful lives were appropriate.

Other areas of audit focus

Group accounts preparation

What is the risk?

The Council produced group accounts consolidating the wholly owned subsidiary, Equinox Enterprises Ltd, for the first time in 2018/19 as the subsidiary is material to the financial statements. Our audit work identified a number of misstatements and amendments were required to the group accounts in both 2018/19 and 2019/20. We therefore consider that there is a risk of misstatement in the 2020/21 accounts.

In addition, the Council needs to undertake an assessment of group boundaries in relation to is investments in two limited companies with which it traded in 2020/21 (Great Yarmouth Borough Services and Great Yarmouth Norse) and any other companies in which it has an interest to establish whether it had control of the arrangements or exerted significant influence over these investees and whether they are material for the Group in 2020/21.

What judgements are we focused on?

We have identified a specific risk of misstatement that could affect the Group balance sheet. We consider the risk applies to the valuation of the consolidation adjustments in the Group Balance Sheet and supporting disclosure notes.

What did we do?

- Considered the Council’s assessment of how its investments companies should be reflected within its group financial statements and whether the Council's decision to exclude any of its investments could cumulatively or individually influence the decisions of readers;
- Considered group wide controls over the consolidation process;
- Determined the scope of our work on each component included in the Council’s group accounts dependent on the relative size and risk of the component;
- Issued group audit instructions to each component we deem to be significant by size or risk and liaise with those auditors as appropriate;
- Determined the competence and independence of each component auditor we wish to rely on;
- Determined our level of involvement in the work of each component auditor and the level of review of their working papers; and
- Assessed the completeness and accuracy of the consolidation workings and group disclosures.

What are our conclusions?

We have considered the Council’s group assessment and agree with the assessment made. Our review of the component auditors work and their competence and independence did not identify any issues.

We have completed our testing of the completeness and accuracy of the consolidation workings and group disclosures. We identified inconsistencies between the short term creditors note 6 and the balance sheet of £13.4 million. We also identified errors in the cashflow statement totalling £0.761 million. More detail is provided in section 4. Management have agreed to amend for these differences.

Other Areas of Audit Focus

Accuracy of the Council and Group cashflow

What is the risk?

Our audit work for the Council and Group cashflow statement identified a number of errors and inaccuracies which were reported in our 2019/20 Audit Results Report.

There is a risk that similar errors will be present in the 2020/21 cashflow statement.

What judgements are we focused on?

The accuracy of the Council's cashflow.

What did we do?

- Reviewed the entries disclosed in the draft 2020/21 financial statements for the Council and Group cashflow statements and associated notes against supporting working papers;
- Tested the correctness and completeness of intercompany consolidation adjustments in the group cash flow (e.g. financing for one entity if investing for the other)
- Tested to ensure consistency between the Council and Group cashflow statements and other entries in the draft 2020/21 financial statements, for example movement in balances between 2019/20 and 2020/21; and
- Ensured that the disclosures are in line with the Code requirements.

What are our conclusions?

We identified errors in the Group cashflow statement. More detail is provided in section 4. Management have agreed to amend for these differences.

Other Areas of Audit Focus

Debtors and creditors – accuracy of balances

What is the risk?

Our audit testing in 2018/19 and 2019/20 identified errors in the accuracy of the debtors and creditors balances reported in the financial statements.

We reported a controls issue in our Audit Results Report for 2019/20 noting that the Council should revisit their closedown process in these areas to ensure that the audit of debtors and creditors can be completed more effectively and efficiently.

What judgements are we focused on?

The accuracy of debtors and creditors balances.

What did we do?

- Reviewed the briefing paper prepared by management to understand how they have prepared the debtors and creditors notes for 2020/21 to reduce the errors identified in the prior year before audit testing begins;
- Reviewed the year end reconciliation of the debtors and creditors feeder systems to the General Ledger to ensure completeness of the balances;
- Sample tested the debtors and creditors balances at a lower testing threshold, to recognise the increased risk of material misstatement in the Balance Sheet; and
- Performed unrecorded liabilities testing to ensure all balances have been identified appropriately post year end and included in the 2020/21 financial statements.
- Reviewed any unusual items included in debtors and creditors, any manual adjustments outside the trial balance, historic balances that have not moved year on year.

What are our conclusions?

Our testing identified one historic debtor balance of £0.148 million that had not been removed which overstated the balance. This was previously reported in prior years and management have chosen to adjust in 2020/21.

We have also identified several other errors.

- The bad debt provision has been overstated by £0.464 million.
- A collection fund creditor has been misclassified as a debtor for £0.097 million.
- An accrual has been missed for £0.185 million.
- An interest payable accrual has been misclassified and was moved to borrowings for £0.264 million.

Other Areas of Audit Focus

Non-domestic rates appeals provision

What is the risk?

We have identified the risk of omission and incorrect valuation of the non-domestic rates (NDR) appeals provisions as an inherent risk. It is expected that the number of appeals by businesses may have increased from prior year due to inoperability of businesses throughout the Covid-19 pandemic.

The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated.

What judgements are we focused on?

In order to address this risk we undertook the following audit procedures:

- Reviewed the assumptions made by the Council's NDR appeals provision specialist; and
- Assessed the reasonableness of any local adjustments made by the Council on the NDR appeals provision;

What did we do?

- Tested the calculation of the NDR provision to ensure all estimates and judgements are fully supported and are agreed to independent sources wherever possible.
- Where testing is performed we applied a lower testing threshold to ensure the appeals provision is calculated on an appropriate basis and has been correctly valued;
- Undertook procedures such as review of minutes and enquiries of management and those charged with governance to gain assurance over the material completeness and methodology of the provision

What are our conclusions?

We have no matters to report as a result of completing our planned procedures.

We concluded that the assumptions made by the Council were appropriate and the provision calculation was reasonable.

Other Areas of Audit Focus

Expenditure and Funding Analysis (and CIES) restatement

What is the risk?

The Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement (CIES) have been restated from the prior period due to internal management restructuring. We will need to review the restatements and ensure the prior year comparatives have been appropriately restated along with the prior year comparatives for the CIES.

What judgements are we focused on?

That the Expenditure and funding analysis and CIES restatements are in line with the new service directorates.

What did we do?

- Inspected an updated directory mapping and re-performance of calculation to assess appropriateness of updated prior year comparators.
- Reviewed the impact of the re-statement on the accounts as a whole

What are our conclusions?

We have completed our work in this area and have no matters to report.

Areas of Audit Focus

Going concern

We have focused on management's assessment of going concern and supporting assumptions in preparing the Council and Group financial statements. We have reviewed management's cashflow and reserve forecasts to determine whether expected income appeared reasonable and whether it was sufficient to enable the Council continue its operations. The cashflow projections and reserves positions cover a period of at least 12 months from the date of our audit report.

Management have disclosed that the financial statements are prepared on a going concern basis. We have obtained management's updated going concern assessment, Note 2.i. This has been updated to include consideration of the impact of inflation and rising costs, which were not part of the economic outlook when the accounts were initially produced. Management's assessment has been informed by the actual reserves position as at the 31 March 2021 and forecast reserves and cashflow projections up to 30 April 2025.

We have completed our work on the going concern statement and we have no matters to report.

03 Audit Report

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Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OFGREAT YARMOUTH BOROUGH COUNCIL

Opinion

We have audited the financial statements of Great Yarmouth Borough Council ('the Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement.
- The related notes 1 to 39, and the Expenditure and Funding Analysis. and related group notes 1 to 8.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 12,
- Collection Fund and the related notes 1 to 4.

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

In our opinion the financial statements:

- give a true and fair view of the financial position of Great Yarmouth Borough Council and the Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Finance Director' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Authority's ability to continue as a going concern for a period to April 2025.

Our responsibilities and the responsibilities of the Finance Director with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's and Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/2021, other than the financial statements and our auditor's report thereon. The Executive Director – Resources is responsible for the other information.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Audit Report

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Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- Report on the Group and the Authority's proper arrangements for governance
- Report on the Group and the Authority's proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

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

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weaknesses in the Authority's arrangements for the year ended 31 March 2021.

Significant weaknesses in arrangements

In August 2022, the Council identified a breach of regulations and completed a self-referral to the Regulator of Social Housing in relation to a failure to comply with the Home Standard with regards to Health and Safety Property Compliance and a significant number of homes not meeting the Decent Homes Standard. In October 2022, the Regulator of Social Housing published a notice confirming the occurrence of the breach. Management have since taken action to address these concerns and have completed two internal audit reports into the governance of the Great Yarmouth Norse Joint Venture as well as participating in an external review of contract arrangements commission by Great Yarmouth Norse and its parent company Norse Commercial Services. The reports and the Council's own assessment of the matter established that there has been inadequate oversight and management of the service provided by the Great Yarmouth Norse Joint Venture since the Joint Venture was established in 2014.

In forming our assessment, we have considered and reviewed:

- Internal audit reports prepared by Great Yarmouth
- Governance reviews prepared by external consultants
- Various committee and Council minutes

A lack of appropriate performance reporting on housing compliance and weaknesses in governance arrangements for the oversight of joint ventures resulted in the Council's housing stock failing to meet relevant housing standards and left the Council exposed to significant budget pressures to bring its housing stock back to levels which achieve compliance with these standards, as well as financial losses from disputes on housing services.

Following the identification of the issue in August 2022, the Council has taken action to remedy the situation including the development of a Compliance Improvement Plan in September 2022 and the creation of a Compliance Improvement Board. In February 2023, Council management also identified a budget requirement of £1.6 million to become fully compliant with the health and safety requirements and approved this spend as part of the 2023/24 budget.

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Our opinion on the financial statements

We recommend the Council:

- Implement the recommendations from the Internal Audit reviews of governance arrangements in the Great Yarmouth Norse as a priority;
- Continue to improve compliance reporting and availability of information on compliance to support effective decision making;
- Establish more robust governance arrangements for both the set up and monitoring of joint ventures, subsidiaries and contracts providing services on behalf of the Council.

This issue is evidence of weaknesses in proper arrangements for:

- 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;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency;
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.
- How the body evaluates the services it provides to assess performance and identify areas for improvement.
- How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Responsibility of the Finance Director

As explained more fully in the Statement of the Finance Directors Responsibilities set out on page 11, the Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements]in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales)
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018,2020 and 2021,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

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Our opinion on the financial statements

In addition, the Group and the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Great Yarmouth Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance, and monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Authority's committee minutes, through enquiry of employees to confirm Group and the Authority policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We obtained and read the regulatory notice from the Regulator of Social Housing relating to non-compliance with health and safety requirements under the Homes Standard. We obtained and read the work of both Internal Audit and External Consultants on the matter as well as the Council's plans to achieve future compliance.

We assessed the susceptibility of the Group and the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified a risk of inappropriate capitalisation of revenue expenditure (including revenue expenditure funded be capital under statute) and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested a sample of the Group and the Authority's capitalised expenditure and revenue expenditure funded by capital under statute to ensure the criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, *we* tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We also assessed whether the judgements made in making accounting estimates are indicative of a potential bias and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021**,** as to whether the Great Yarmouth Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Great Yarmouth Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

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

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Our opinion on the financial statements

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

Certificate

We certify that we have completed the audit of the accounts of Great Yarmouth Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

Corrected Differences:

We highlight the following misstatements greater than £0.073 million which have been corrected by management that were identified during the course of our audit:

- Pension liability valuation - There was a timing difference between the final valuation of the pension fund investments and the assumptions used by the actuary in the IAS 19 report used to prepare the draft accounts which resulted in the investments being understated by £1.09 million. The actuary has provided an updated IAS19 report and the Council have updated the accounts for the revised report.
- Property, plant and equipment – overstatement of Beacon Park (South Gorleston Development land) by £0.820 million due to the late prior year revised valuation adjustment of £0.628 million not being put through the draft accounts by management, and a small revised valuation movement in current year of £0.152 million.
- Bad debt provision – overstatement of £0.464 million due to several errors identified within the calculation. The main issue was a incorrect formula that was double counting several of the brought forward opening balances in error.
- Debtors – overstatement of £0.148 million due to a historic item identified in prior year that was not written off.
- Creditors – understatement of £0.185 million due to a missed accrual item identified in our unrecorded liability testing, relating to a late housing benefit BACS payment.

Reclassifications

- Short term investments – reclassification from cash and cash equivalents of £6.0 million due to an investment being incorrectly classified.
- Property, plant and equipment – a significant classification error was identified in council dwelling valuation movements. £2.832 million of net gains were incorrectly recognised in the comprehensive income and expenditure statement rather than the revaluation reserve. This was due to formula errors within the workbook that were not appropriately accounting for the brought forward impairment or revaluation reserve at an individual asset level, in order to post the gain/loss movement to the correct account.
- Property, plant and equipment – reclassification from investment property of £0.415 million due to Market Place car park being incorrectly classified.
- Property, plant and equipment (asset under construction) – reclassification from investment property (asset under construction) of £0.648 million due to Market Place car park being incorrectly classified.
- Short term borrowing – reclassification from short term creditors of £0.264 million due to interest payable accrual being incorrectly classified.
- Collection fund creditors – reclassification of a collection fund debtor balance of £0.097 million due to being incorrectly classified. This item should have been included as part of the net collection fund creditor position at yearend.

Audit Differences

Summary of audit differences - continued

Group cashflow

- Adjustments to surplus deficit of comprehensive income and expenditure statement has been understated by £0.616 million
- Opening cash and cash equivalents is understated by £0.145 million

Misstatements in Group notes

- Group accounts – the short term creditors note did not agree to the group balance sheet due to an error in the group accounts workbook. The balance in Note 6 was overstated by £13.4 million.

Uncorrected Differences

There is one uncorrected misstatements identified based on our audit work.

- A £0.118 million overstatement of investment properties and £0.029 million overstatement of property, plant and equipment (total £0.147m) due to incorrect net profit calculations used for two pay & display car parks valuations.

Disclosure differences

We also identified a number of errors in disclosures which management have amended for.

- Note 20 Financial Instruments (liquidity risk table) – we identified that assets maturing in 1-2 years had been incorrectly disclosed in the current year and prior year due to a formula error within the supporting workings. The impact is a £2.233 million overstatement in both years. This resulted in a prior year adjustment. Management have corrected for both the current year and prior year misstatement within the 2020/21 accounts. We undertook additional work to ensure that the final adjusted figures were materially complete and accurate, and that the prior year adjustment was adequately disclosed. We also identified two further issues. There was a manual error within the supporting workings which overstated the assets maturing in less than 1 year by £5.035 million in the current year. There was also a formula error which understated the assets with an uncertain maturity date by £5.232 million in the current year. These have both been adjusted for by management.

- Note 35 Related Parties Transactions – we identified several issues through our testing. A £0.010 million business grant to a trust related to a Councillor was not disclosed. A manual calculation error overstated the profit share from Great Yarmouth Norse Limited by £0.002 million. There were also a small number of significant related party transactions that were not disclosed within the note with Community Safety Ltd of £0.332 million and New Anglia Local Enterprise Partnership of £0.300 million.

We have identified other disclosure adjustments, but do not consider these to warrant being brought to your attention.

05 Value for Money

Value for money

The Council's responsibilities for value for money (VFM)

The **Council** is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the **Council** is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the **Council** tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

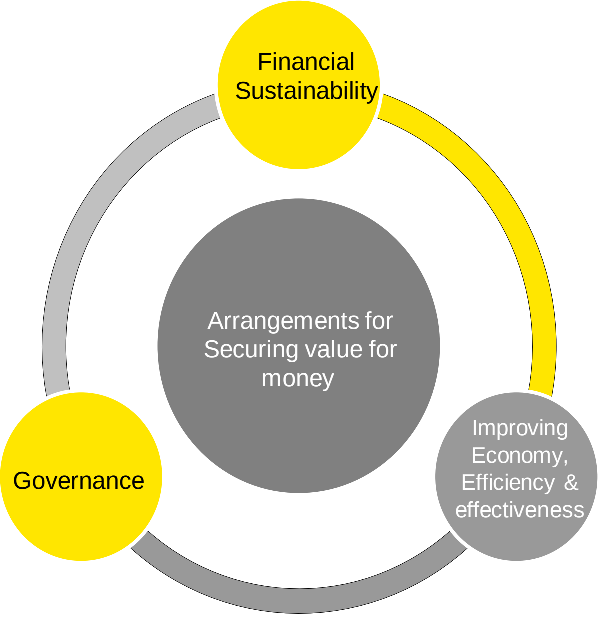
Risk assessment

We completed our initial VFM (value for money) risk assessment work, which considered:

- Our entity level controls and understanding the business assessment/ the Council's Risk Register/ the Annual Governance Statement/ Council meeting minutes/ our planning meetings with management/ key financial and budget information/ key performance reports/ Internal Audit reports/ Information from local, national and specialist media/ findings of other review agencies and relevant bodies.

We identified risks of significant weaknesses in the Council's arrangements during 2020/21 following the completion of our planning procedures. We have detailed these risks on the following page and documented our conclusions which have determined that significant weaknesses exist in the Council's arrangements.

We have therefore reported by exception in the modified opinion (as seen in section 3) on the nature of these weaknesses. We will provide full commentary on the matter within our Auditor's Annual Report.



Value for Money Risks

What is the risk of significant weakness?	What arrangements does this impact	What we did and results:
The Council have self referred to the regulator for social housing as the level of decent home standard properties has dropped from 94% to 85%. The Council have also identified a number of issues with the housing stock which the regulator has concluded that there was potential for serious detriment to Council's tenants and that the Council breached the Home Standard.	Governance and improving economy, efficiency and effectiveness	Our approach focused on: • The programme put in place by the Council to rectify the failures identified by the Council and the regulator; • The Council's understanding of the reasons for the failures; and • Arrangements for monitoring the delivery of the programme to address the failures. Conclusion: We previously determined that, given the regulatory notice that has been published, this is a significant weakness in arrangements during 2020/21 and will be reflected as such in our audit report. Our subsequent review of the above documentation has confirmed this position and we have modified our audit opinion reporting by exception on VFM arrangements.
The findings from the Internal Audit report on Great Yarmouth Norse invoicing and the draft open book Internal Audit report are clear that there are significant control deficiencies with regards to how the Council has managed this partnership and in particular the payments being made to Great Yarmouth Norse.	Governance and improving economy, efficiency and effectiveness	Our approach focused on: • Review of the final Housing Compliance, Voids and Open Book Internal Audit reports; Conclusion: We previously determined given the significance of the Internal Audit findings and the material level of the Council's annual spend on this contract, that this is a significance weakness during 2020/21 and will be reflected as such in our audit reporting. Our subsequent review of documentation supported this position and we have modified our audit opinion reporting by exception on VFM arrangements.
Management identified that the Market Redevelopment did not have a signed contract and that this significant capital project has gone over budget. We have identified a potential significant weakness as internal processes were not followed and there are now additional costs to the Council in relation to this project.	Governance and Improving economy, efficiency and effectiveness	Our approach focused on: • Review of relevant Internal Audit reports on capital contracts; • Understanding the timeline of events in relation to the management of this project and how they have impacted on the current financial position and budget to complete; and • Discussions with management, the monitoring officer and project manager and review of any external legal advice obtained. Conclusion: We concluded that this did not represent a significant weakness in VFM arrangements during 2020/21. However, this issue will require additional consideration in our 2021/22 VFM assessment and reporting.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. As a result of findings in our value for money work we have determined that the Annual Governance Statement requires updating to reflect the weaknesses in governance arrangements.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

Central government has completed their work on the Whole of Government Accounts and confirmed that no further submissions are required. As in previous years the Council was below the threshold that required us to undertake any detailed procedures and the Council was not selected for further testing.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

Other reporting issues

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 (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have identified one significant issue in relation to non compliance with laws and regulations which, as noted earlier in this report, will result in a modification to our audit report.

Social housing non-compliance – breach of the Home Standard.

We have completed consultation with our professional practice team in relation the self referral by the Council to the Social Housing Regulator and subsequent breach notification of the Home Standard. We have concluded that the non-compliance results in the requirement for a contingent liability to be disclosed within the 2020/21 statement of accounts. The Council has demonstrated engagement in the process of resolving the self-referral. They have put in place a new Housing Director to address concerns identified by the Internal Audit reports which led to the self-referral and have developed and implemented a transformation programme. The Council has also established within their budget, funds to resolve the remaining non-compliance issues and have successfully had the notice removed by the regulator in January 2024.

Modification of the audit report

As a result of the significant weaknesses identified within VFM arrangements we plan to modify our audit opinion. The modified wording has been provided within the draft audit opinion in section 3 of this report specifically under the 'matters on which we report by exception' section.

We have no other significant matters to report in relation to the above.

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control including group-wide or at components.

We have identified the following control issues related to the financial statements

Component – Equinox Enterprises Limited:

Our audit work identified that house sales for new builds have been incorrectly included on VAT returns as exempt instead of zero rated. This has had no impact on the liability or the figures in the accounts. However, figures reported to HMRC on VAT returns are incorrect.

Infrastructure assets:

Our audit work identified that the Council did not have a formal written policy for dealing with subsequent expenditure on assets already in existence. We recommend that the Council put this in place to ensure consistency and code compliance in this area.

Follow up on recommendations from previous years:

- **Accuracy of debtors and creditors listings** – we have seen improvement overall in the quality of the accounts and have identified a limited number of errors in the current year in relation to this area, with the main ones being in relation to the bad debt provision. We have seen evidence that the Council are now starting to investigate and write out historic balances where appropriate.
- **Cashflow statement** – we agreed with the Council we would wait for an updated version of this to be produced before we commended our audit work on this. We have completed our work in this area and now we have no matters to report. We have however identified audit differences within the group cashflow and therefore note that the Council needs to continue to ensure that there is a thorough and robust review process of the cashflow statement as part of the closedown process.
- **Operational Leases –** there were errors arising in prior years due to issues within the lease register, including required adjustments not being applied. We have completed our work in this area and have seen improvement in the current year. However, there were still issues within the lease register identified and this required us to extend our testing. The lease register did not directly agree back to the trial balance or statement of accounts, and as a result of our testing we identified two audit differences within Note 30 Operating Lease Rentals of £0.247 million and £0.102 million respectively.

08 Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that are due to us in relation to our audit of the Council's accounts, in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. Further detail of all fees has been provided to the Audit and Risk Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

In addition to our audit of the statement of accounts, we have performed the reporting accountant role for the certification of Great Yarmouth Borough Council's 2020/21 Housing Benefits claim. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020. We confirm that we have not undertaken any additional non-audit work.

Other communications

EY Transparency Report 2023

Ernst & Young (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 year ended 30 June 2023 and can be found here:

EY UK 2023 Transparency Report | EY UK

Relationships, services and related threats and safeguards

	Final proposed fee 2020/21 (Note 3) (£)	Planned fee 2020/21 (£)	Final fee 2020/21 (Note 1) (£)
Scale fee	46,966	46,966	46,966
PSAA Determined Scale Fee Variation			44,434
Scale Fee Rebasing (Note 2)	67,905	-	-
Prior Year Adjustments	4,575	-	-
Quality and Preparation	21,792	-	-
VFM Commentary/Risks	41,281	-	-
Covid-19 (incl going concern)	13,813	-	-
Reduced Materiality	9,298	-	-
Pensions Specialist	7,320	-	-
ISA 540 (estimates)	2,656	-	-
Infrastructure assets	8,030	-	-
NOCLAR	5,050	-	-
Total audit fees	**228,686**	**TBC**	**91,400**
Other non audit services: Housing Benefits Certification	14,500		15,250
Total non audit fees	**14,500**		**15,250**

All fees exclude VAT

Details of individual fee increases are included in the next page

Relationships, services and related threats and safeguards

Notes

1) For 2019/20, we proposed an increase to the scale fee of £84,304 to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase was discussed with management and has now been determined by PSAA as set out in the table on the previous slide.

2) For 2020/21. we have again reassessed the scale fee to take into account the same recurring risk factors as in 2019/20. This will be submitted to PSAA for determination once the audit has been completed. We propose an overall increase to the scale fee of £67,905 in relation to recurring additional audit work linked to:

   - Additional procedures to review component auditor work as part of our work on the consolidated accounts, as well as review of resulting audit adjustments, £8,000
   - Additional procedures to consider recurring significant audit risks areas as identified in the Audit Plan and this Audit Results Report, £23,699
   - Additional procedures to audit pension valuation assumptions, £12,450
   - Additional procedure required on property, plant, and equipment, £23,765

3) For 2020/21, the scale fee represents the base fee, i.e. not including any extended testing. Our audit was impacted by a range of factors included in our Audit Planning Report which resulted in additional work. We set out the proposed additional fee for this below in terms of the specific issues we have identified during the audit. Now that the audit is complete we will finalise our proposed fee and submit it to PSAA for determination.

   - Work required to assess the impact of identified prior year adjustment to the financial statements, £4,575
   - Impact of quality and preparation issues causing audit delays, £21,792
   - Additional procedures to comply with the NAO's Code requirement to provide commentary on VFM arrangement and to consider impact of risks of significant weakness identified in relation to a number of areas as aet out in our VFM commentary which resulted in reporting on by exception in our audit report, £41,281
   - Impact of additional audit procedures in relation to COVID-19 including procedures on grant income, NDR appeals provision and going concern assessment and disclosures, £13,813
   - Impact of additional testing required due to a reduce materiality level, reflecting the high level of errors identified in the prior years accounts , £9,298
   - The need to engage EY Pensions to review assumptions used in the Pensions IAS19 liability, £7,320
   - Impact of ISA540 requirements on audit work required on estimates, £2,656
   - Additional audit procedures required over infrastructure assets in response to national issue, £8,030
   - Addition procedures to consider non-compliance with laws and regulations in relation to breach of the Homes Standard and weaknesses in the oversight of the Great Yarmouth Norse joint venture, £5,050

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

09 Appendices

Required communications with the Audit and Risk Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit and risk 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.	Audit Plan - 18 July 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. 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.	Audit Plan - 18 July 2022
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee
Subsequent events	▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Provisional Audit Results report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Risk Committee responsibility.	Provisional Audit Results Report - 31 October 2022 Audit and Risk Committee Audit Results Report - 14 April 2024 Audit and Risk Committee
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Provisional Audit Results Report - 31 October 2022 Audit and Risk Committee Audit Results Report - 14 April 2024 Audit and Risk Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan - 18 July 2022 Provisional Audit Results Report - 31 October 2022 Audit and Risk Committee Audit Results Report - 11 December 2023 Audit and Risk Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Plan – 18 July 2022 Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	Provisional Audit Results Report – 31 October 2022 Audit and Risk Committee Audit Results Report – 14 April 2024 Audit and Risk Committee

Appendix B

Outstanding matters

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

Item	Actions to resolve	Responsibility
Final manager and partner reviews	Receipt and checking of final set of accounts	EY and Management
Management representation letter	Management to sign representation letter which has been agreed by the Audit & Risk Committee	Management and Audit & Risk Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and Management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report.

Management representation letter - draft

Management Rep Letter

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Great Yarmouth Borough Council (“the Group and Council”) for the year ended 31 March 2021. 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 Council financial statements give a true and fair view of the Group and Council financial position of Great Yarmouth Borough Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

1. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

2. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

3. As members of management of the Group and Council, we believe that the Group and Council 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 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) for the Group and Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflicts and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

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

5. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange .

Management representation letter - draft

Management Rep Letter

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

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

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council 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 law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

    - involving financial statements;
    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
    - involving management, or employees who have significant roles in internal controls, or others; or
    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements, including those related to the COVID-19 pandemic and including those related to the conflicts and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Group, and committees Council, Policy and Resources Committee, and Audit and Risk Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]*

Management representation letter - draft

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter of 8 December 2023 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 Council 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.

E. Going Concern

1. Note *2* to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note *7* to the consolidated and Council financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

Management representation letter - draft

Management Rep Letter

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts 2020/21 and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Comparative information – corresponding financial information

1. The Liquidity Risk section of Note 20 Financial Instruments has been restated due to double counting caused by a formula error.

2. The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's consolidated and Council financial statements.

J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

K. Reserves

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

L. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and Council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and Council financial statements).

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- Matters referred to in the letter of comments received from the Regulator of Social Housing regarding breaches of the home standard.

M. 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 (PPE) and Investment Property (IP) and the IAS19 actuarial valuations of pension fund liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council 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.

Management representation letter - draft

Management Rep Letter

N. Valuation of Property, Plant and Equipment Assets

1. We agree with the findings of the experts engaged to evaluate the valuation of the Group and Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Group and Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts 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 experts.

2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

3. We confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment 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 Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

5. We confirm that no adjustments are required to the accounting estimate and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 pandemic, and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

6. We confirm that for assets carried at historic cost, that no impairment is required.

O. Retirement benefits

1. That on the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the pension 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.

2. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council 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.

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

4. We confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. We confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

Management representation letter - draft

Management Rep Letter

6. We confirm that no adjustments are required to the accounting estimate and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic. and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

P. Business Rates Appeals Provision Estimate

1. That on the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the Business Rates Appeals Provision are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

3. We confirm that the significant assumptions used in making the valuation of the Business Rates Appeals Provision 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 Group and Council financial statements with respect to the accounting estimate are complete, including the effects of the Covid-19 pandemic on the Business Rates Appeals Provision and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

5. We confirm that no adjustments are required to the accounting estimate and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic, and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

Q. Bad Debt Provision Estimate

1. That on the basis of the process established by us and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the Bad Debt Provision Estimate are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

3. We confirm that the significant assumptions used in making the valuation of the Bad Debt Provision Estimate 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 Group and Council financial statements with respect to the accounting estimate are complete, including the effects of the Covid-19 pandemic on the Bad Debt Provision Estimate and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

5. We confirm that no adjustments are required to the accounting estimate and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic, and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

Management representation letter - draft

Management Rep Letter

R. 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.

Yours faithfully,

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(Executive Director - Resources)

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(Chairman of the Audit Committee)

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