

Arun District Council  
Completion Report for Those  
Charged with Governance

Year ended 31 March 2024

Report issued - February 2025





Audit and Governance Committee  
Arun District Council  
Maltravers Road  
Littlehampton  
West Sussex  
BN17 5LF

7 February 2025

Dear Audit and Governance Committee Members

#### 2023/24 Completion Report for Those Charged with Governance

We are pleased to attach our audit completion report, summarising the status of our audit for the forthcoming meeting of the Audit and Governance Committee. We will explain the remaining steps to the issue of our final opinion to the Audit and Governance Committee at its meeting scheduled for 27 February 2025.

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

The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 8 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit and taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimed audit report.

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

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

Yours faithfully

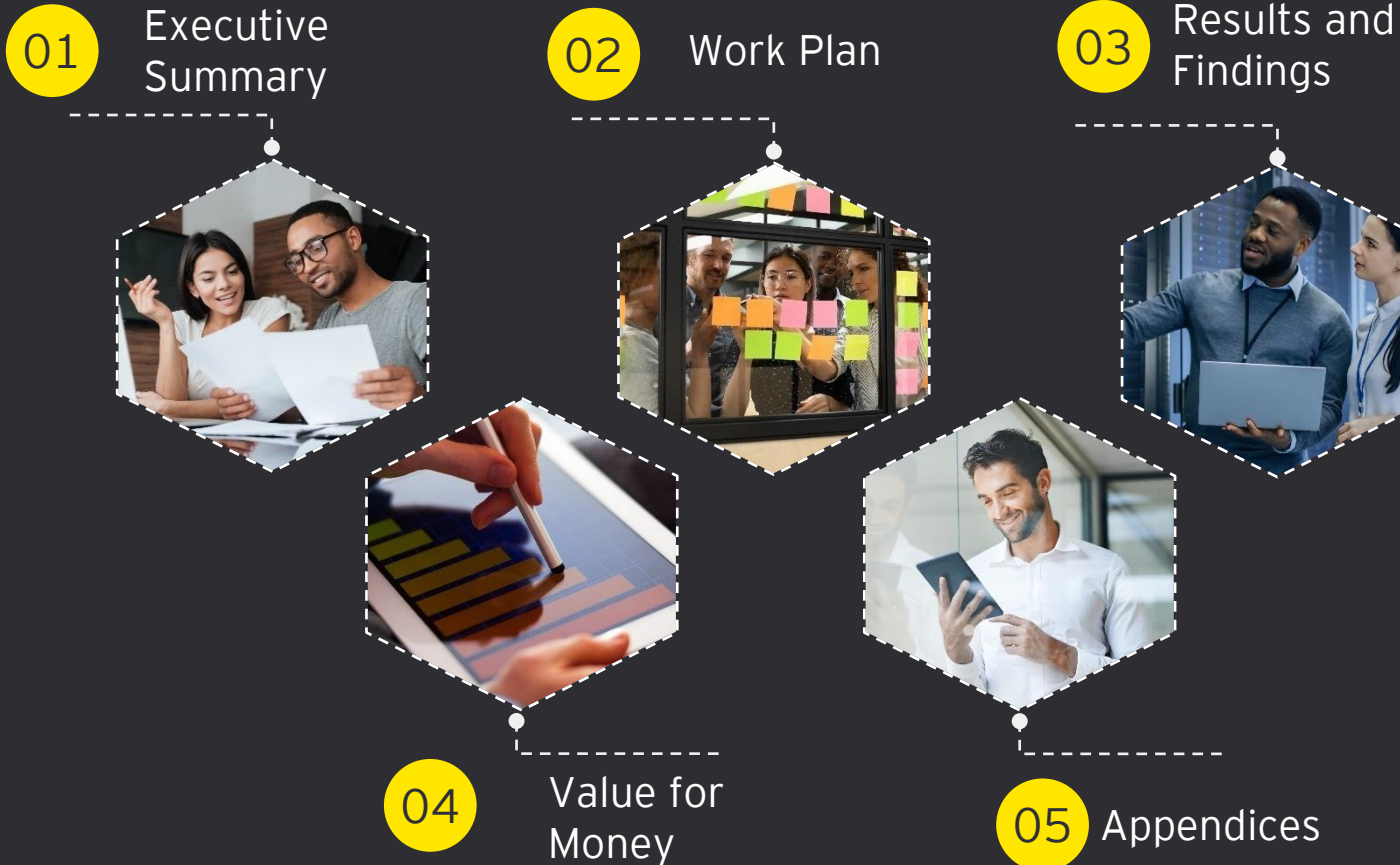
Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

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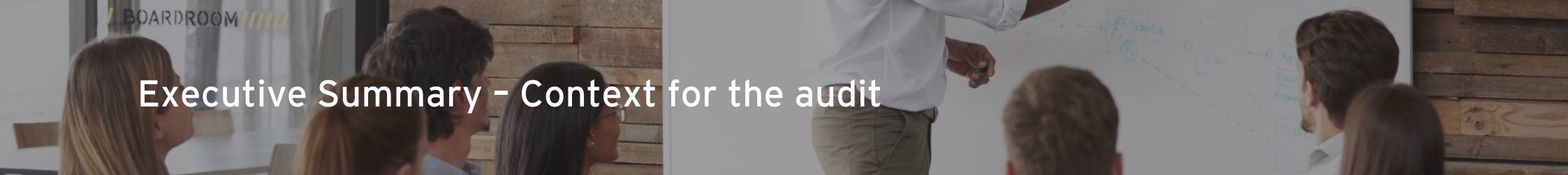
Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



# 01 Executive Summary



# Executive Summary - Context for the audit

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

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

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

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 8 November 2024 Audit Completion Report to the Audit and Governance Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit.

EY's Head of UK Government and Public Sector Audit wrote to the Section 151 officer at the Council on 21 August 2024 to set out that we would be prioritising those 2023/24 audits that we considered met the following criteria:

- ▶ draft unaudited financial statements were published by 31 July 2024;
- ▶ there was evidence that finance teams could effectively and efficiently support the audit process; and
- ▶ have high-quality audit evidence and supporting information that is delivered in accordance with our agreed timetable and in advance of the commencement of the audit.

The Council published their draft financial statements on 21 October 2024. We therefore did not undertake our planned procedures on the 2023/24 financial statements and have not been able to start rebuilding assurance ahead of the planned backstop date of 28 February 2025 and, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimed audit report. The proposed disclaimer of the Council's 2023/24 financial statements impacts the audit procedures that we have planned and undertaken to gain assurance on the 2023/24 financial statements and the form of the audit report.



# Executive Summary

## Scope update

In our Audit Planning Report presented at the 23 July 2024 Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements.

- **Changes in materiality:** We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £2.2 million (Audit Planning Report – £1.7 million). This results in updated performance materiality, at 75% of overall materiality, of £1.6 million, and an updated threshold for reporting misstatements of £0.109 million.



# 02 Work Plan





# Work Plan – Audit Scope

## Audit scope

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

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

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

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

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

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

Given that SI 2024/907 imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

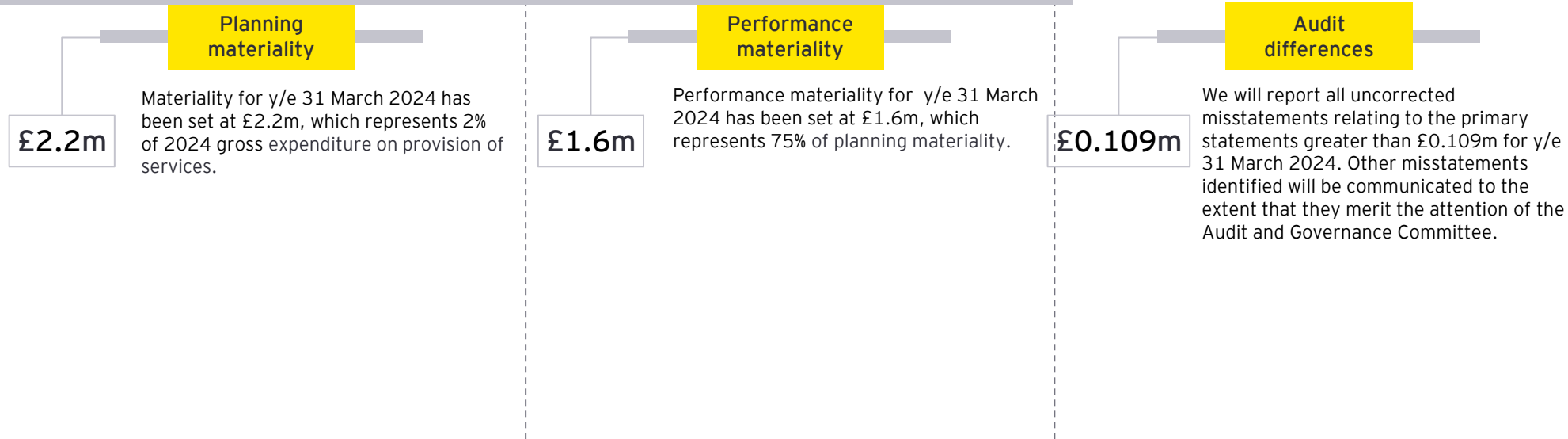
This decision is in line with ISA 200: Failure to Achieve an Objective 24.

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

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

# Work Plan - Materiality

## Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2023/24 audit year. We determined that our audit procedures would be performed using a materiality of £1.6m.

These levels are being used to assess our response to any issues identified in the Council's financial statements.

# Work Plan – Significant, inherent and other risk areas

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

## Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Misstatement due to fraud or error	31 March 2024	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	31 March 2024	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Pension Liability Valuation	31 March 2024	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council / Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Valuation of Land and Buildings	31 March 2024	Inherent risk	No change in risk or focus	Property, Plant and Equipment Land and Buildings (L&B) represent significant balances in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

# Work Plan – Significant, inherent and other risk areas

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

## Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
IFRS 16 Adoption- Leases	31 March 2024	Inherent risk	New Risk	<p>CIPFA have confirmed that there will be no further delays of the introduction of the leases standard IFRS 16. Local Authorities need to mandatorily implement this from 01 April 2024. There is an option to implement early adoption of this Standard. Discussions with management have highlighted that Arun District Council will be adopting this standard early and will implementing this for the year ending 31/03/2024.</p> <p>Implementation of IFRS 16 will involve a different treatment of leases than previously allowed and is likely to see an increase of leases included on the Balance Sheet. Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. Lease liabilities and right of use assets will be subject to more frequent remeasurement.</p> <p>Given the technicality involved in the adoption process, we have identified a higher inherent risk related to IFRS 16 Adoption for the current year.</p>

# Work Plan - Independence

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

## Required communications

### Planning stage

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

### Final stage

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

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

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

# Work Plan - Independence

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

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Simon Mathers, your audit engagement partner and the audit engagement team have not been compromised.

## Self interest threats

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

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

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. For accounting period ended 31 March 2023 non-audit fees subject to the fee cap cannot exceed 70% of the average audit fees for the past three years. We are engaged by the Council as a reporting accountant for the Housing Benefit Assurance Process (HBAP). At the time of writing, we expect the current ratio of non-audit fees to audit fees to be approximately 1:1. We have adopted the following safeguards as a result.

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

Description of relationship	Related independence threat	Safeguards adopted and reasons considered to be effective
We are engaged by the Council as a reporting accountant for HBAP	<ul style="list-style-type: none"> <li>▶ Self-Interest threat</li> <li>▶ Self-review threat</li> </ul>	<p>The service is permissible under the NAO's Auditor Guidance Note 01. because this service is required by the awarding central government department.</p> <p>The results of the AUP testing is not reflected in the amounts included/disclosed in the financial statements.</p> <p>The external audit conclusion is not reliant upon the conclusion of our AUP engagement.</p> <p>No advice will be given in relation to accounting treatment.</p>



# Work Plan - Independence

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

The table on the previous page sets out the self-review threats that exist as the date of this report in respect of our engagement by the Council as a reporting accountant for the Housing Benefit Assurance Process (HBAP), together with a description of the safeguards we have adopted as a result of this.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



## 03 Results and findings





# Results and findings

## Status of the audit

The following items relating to the completion of our audit procedures to be able to give a disclaimer on the Council's financial statements that are outstanding at the date of this report are:

- ▶ Review of the final version of the financial statements for reported differences;
- ▶ Completion of subsequent events review; and
- ▶ Receipt of the signed management representation letter

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

## Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We identified a risk of a significant weakness in the Council's arrangements to communicate relevant, accurate and timely management information (including non-financial information where appropriate) and support its statutory financial reporting requirements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 4 of the report for further details.

## Audit differences

We identified no differences.

## Other Reporting Issues

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2023/24. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2023/24 on which our work is based.

## Other powers and duties

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

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



# Results and findings

## Areas of audit focus

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

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 Governance Committee or Board of Directors.

## Control observations

During the audit, we identified no significant deficiencies in internal control.

## Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention.

## Other matters

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

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

[We have no other matters to report.

# Results and findings - Audit Report

Draft audit report

Draft disclaimed audit report

Our opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARUN DISTRICT COUNCIL

### Disclaimer of Opinion

We were engaged to audit the financial statements of Arun District Council ('the Council') for the year ended 31 March 2024. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 39 including material accounting policy information and including the Expenditure and Funding Analysis,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes, and
- Collection Fund and the related notes 1 to 3.

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 2023/24.

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

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for Arun District Council was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 4 December 2024.

Due to the disclaimer of opinion on the prior year, delays in receiving draft financial statements and associated audit evidence and the limited time between the backstop dates we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2024.

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

### Matters on which we report by exception

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

# Results and findings - Audit Report

Draft audit report

Draft disclaimed audit report

Our opinion on the financial statements

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

## Responsibility of the Group Head of Finance and Section 151 Officer

As explained more fully in the Statement of the Group Head of Finance and Section 151 Officer Responsibilities set out on page 13, the Group Head of Finance and Section 151 Officer 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, 2023/24, for being satisfied that they give a true and fair view and

for such internal control as the Group Head of Finance and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Group Head of Finance and Section 151 Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

# Results and findings - Audit Report

Draft audit report

Draft disclaimed audit report

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Arun District 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 Arun District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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 Arun District 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 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

## **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Arun District Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

## **Use of our report**

This report is made solely to the members of Arun District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 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 Council and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Mathers (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
Date



# 04 Value for Money



# VFM - Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken during the year ended 31 March 2024 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24.

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

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings from our planned procedures;
- Our commentary over your arrangements for the year 2023/24; and
- Summary of arrangements over the period covered by this report (Appendix D).

# VFM - Executive Summary (continued)

## Risks of Significant Weakness

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

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the the Group Head of Finance and S151 Officer, Interim Financial Services Manager and Deputy S151 Officer and Group Accountant;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

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

Description of risk identified	Work planned to address the risk of significant weakness
<p>Governance: we identified a risk of a significant weakness in the Council’s arrangements to communicate relevant, accurate and timely management information (including non-financial information where appropriate) and support its statutory financial reporting requirements.</p>	<p>In order to address this risk we:</p> <ul style="list-style-type: none"> <li>• Reviewed the Council’s planned timetable to issue the draft Statement of Accounts for 2023/24.</li> <li>• Met with management to               <ul style="list-style-type: none"> <li>• understand the processes and arrangements in place at the Council to deliver timely financial reporting;</li> <li>• discuss the underlying reasons for the significant delays in financial reporting in 2022/23 and 2023/24; and</li> <li>• discuss what actions the Council is putting in place to ensure more timely production and publication of the financial statement in 2024/25.</li> </ul> </li> </ul>



# VFM - Executive Summary (continued)

## Reporting

Our commentary for 2023/24 is set out over the following pages. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix D includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2022/23 Completion Report and have been updated for 2023/24.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Risk of a significant weakness identified as set out on page 24	No significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

# Value for Money Commentary

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

**No significant weakness identified**

The Medium-Term Financial Forecast (MTFF) was updated during the year using a 'Zero Based Budgeting' exercise that reviewed and rebased the Council's revenue budgets and future assumptions. In addition, factors such as economic uncertainty, rising inflation and the current cost of living crisis that have all had an impact during the year have been taken into account. This is in addition to the delay in the implementation of the Fair Funding Review until 2025/26.

The 2024/25 budget was approved by the Full Council on 21 February 2024. It was set based on the assumptions included in the updated MTFF. This budget was balanced through the use of £3 million from revenue reserves, mainly to be drawn from the Funding Resilience Reserve to cover a general deficit in the General Fund balance. The budget supports delivery of the Council's key priorities and is therefore used to ensure financial resources are aligned to areas where the Council believes it will secure the greatest benefit to the residents of the District. Council members are fully engaged in this process, including a briefing on the MTFF and options for managing pressures and savings.

The MTFF shows aggregate budget gaps totalling of £17 million over the next five years, from 2025/26 through to 2028/29. As at 31 March 2024, the General Fund remained at £5 million, with the in-year underspend of £0.9 million transferred to the Funding Resilience Reserve. The total usable reserves as at 31 March 2024 totalled to £36 million including the general fund at £5 million and a total of £14.7m in earmarked reserves. We highlighted in our value for money commentary for 2022/23 that the use of reserves to bridge the funding gap is possible in the short-term but is not a sustainable solution to achieving financial balance and that the Council needed to identify further savings and/or additional funding sources in order to achieve a sustainable financial position.

The Council has not historically had a specific savings plan. However, during the 2024/25 budget planning process, the Council developed a high-level savings plan aimed at reducing the financial pressure on the Council's MTFF. Each service within the Council has a service committee and each service committee was mandated to identify and communicate any areas of potential savings across their domains. These savings were then assessed on their merits and the budget updated throughout the year to reflect any savings identified across the year. Through this initiative, the Council has identified £1.55 million of savings to be achieved during 2024/25. The Council recognises that the savings programme is new, and it is still in early stages of development, more work will be required to investigate several of the proposals further and determine the true scale of any savings.

The savings made in 2023/24 and those planned to take effect in 2024/25 are reported through the respective service committees which meet regularly to evaluate the progress made against the set objectives.

The performance of the Council against the Capital, Housing Revenue and General Fund Revenue budgets is subject to quarterly monitoring to assess the actual performance. The quarterly monitoring reports are submitted to the Policy and Finance Committee for scrutiny and remediation. Additionally, Revenue and Capital Outturn reports are prepared by management and presented to the Policy and Finance Committee for assessment of how the Council performed against its set budget. We observed that the 2023/24 outturn report was presented to the Policy and Finance Committee on 9 July 2024, significantly earlier than the reporting for 2022/23. This report contained the evaluation of actual performance against the budget and included commentary of any deviations observed across various metrics. The actual metrics against the budget were generally positive and any deviations were supported by reasonable explanations and action points. This is a key process in the Council's assessment of its performance and aids in identification of areas for improvement.

# Value for Money Commentary

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

**No significant weakness identified**

From our review of the outturn report for the financial year 2023/24, we observed that the actual total cost of service expenditure was £27 million against a budget of £28.5 million, an underspend of £1.5m. The underspend largely resulted from salaries and other employee related expenses cost reductions and savings achieved across a number of budget lines in line with the savings plan enacted during the period by the Council.

The general fund capital programme actual outturn expenditure was £7 million against a budget of £14 million. The largest individual contributors to the underspend were from the levelling Up Fund Littlehampton Seafront where costs totalling to approximately £1.2m were carried forward into 2024/25, due to rescheduling costs during the course of the project delivery; and a further £2.4m budget carry forward to 2024/25 project delivery due to revised cashflow forecasts as the levelling Up of Alexandra Theatre progressed. The Council remains committed to implement the carried forward capital programme budget whilst optimizing on savings to ensure critical services continue to be delivery in the District.

The Council also note that uncertainty in relation to future revenue funding will have an impact on their capital funding. It has been assumed that there are currently no changes to the Council's current Capital Programme, but there is consideration to be made regarding changes the Council's currently borrowing policy to allow for the use of borrowing to fund future capital expenditure. However, the Council will continue to prioritise essential maintenance programmes to ensure that operational assets are maintained at the required standard for service delivery and this will be closely monitored.

The HRA achieved an actual expenditure of £21 million against a budget of £20 million with actual income of £20 million against a budget of £19.4 million for the 2023/24 year. The HRA capital programme posted an actual expenditure of £7 million against a budget of £16 million. The underspend of £9 million related to projects that were carried forward to 2024-25 which included £2.6 million relating to sheltered accommodation; £4.8 million stock development which are currently underway and £3 million towards the decarbonization project. The Council remains keen on implementing these carry over projects in the financial year 2024/25.

In December 2023, the Littlehampton Harbour Board asked the Council to contribute funding to pay for investigative and design infrastructure work in relation to future project needs and the harbour entrance renewal scheme. The total potential funding request was for up to £36 million with the Council to fund £18 million under the current funding arrangements, with an initial request of £1.1 million, £0.6 million to be funded by Arun District Council. We note that a significant High Court decision has been made that the initial request of £1.1 million contribution request falls within the scope of the current funding arrangements and therefore the Council is obligated to provide the funding. The Council are working through the implications of this and have lodged an appeal.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services**

## **Recommendations:**

(1) In order to meet its statutory reporting responsibilities, the Council needs to ensure that it has adequate arrangements in place to prepare its internal and external financial reporting in a timely manner. Recommendation also linked to Governance

(2) The Council are using reserves to bridge the funding gap in the short-term. This is not a sustainable solution to achieving financial balance and the Council need to develop a savings plan and/or additional funding sources in order to achieve a sustainable financial position.

# Value for Money Commentary (continued)

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

**No significant weakness identified**

The Council has sought to develop systems to identify, evaluate and mitigate risks which threaten its ability to meet its objectives to deliver services to the public. To ensure that risks are appropriately mitigated, the Council maintains a Risk Management Framework and a Corporate Risk Register. The Council updated its Risk Management Framework in August 2023 and its Corporate Risk Register in November 2023 and further updated in February 2024 to enable a full review of the risks faced by the Council in achieving its objectives as outlined in the Council's new Corporate Plan.

The aim of Internal Audit's work programme is to provide assurance to management, in relation to the business activities, systems or processes under review that the framework of internal control, risk management and governance is appropriate and operating effectively; and risks to the achievement of the council's objectives are identified, assessed and managed to a defined acceptable level. Such risks are identified through senior management liaison and internal audits own assessment of risk. External audit, inspectors and regulators also provide assurance on the management of risk and delivery of objectives. Each year, the Head of Internal Audit provides the Council with an opinion on the overall control environment, developed through the reviews which they have undertaken. For the 2023/24 year, the Council achieved a reasonable assurance opinion from Head of Internal Auditor, and while issues have been identified through the Internal Audit reviews, we can see that these are not pervasive to the Council and the Council is actively seeking to remedy them.

As part of the budgetary and monitoring exercise, proposed corrective actions to address financial and performance risks are reported to the committees. We have observed challenge from the committee relating to these reports via the publicly available minutes on the Council website. Statutory financial reporting is prepared at year-end based on the CIPFA requirements. The annual governance statement and the narrative statement confirm that the accounts are prepared in accordance with the relevant standards and the requirements of CIPFA code. The Council published their draft 2023/24 financial statements for audit in October 2024, which was after the 31 May 2023 deadline as required by the Audit and Accounts regulations. The Council advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2023/24 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared materially in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, based on the work completed appropriate arrangements for financial reporting were in place during 2023/24.

As a result of the significant delay in finalising the 2022/23 outturn report, combined with the issue that the requirements of the Accounts and Audit Account Regulations 2015 with respect to the issuing of the Statement of Accounts and the timing of the inspection period were not met for 2023/24, we identified a risk of a significant weakness in the Council's arrangements to communicate relevant, accurate and timely management information (including non-financial information where appropriate) and support its statutory financial reporting requirements.

The underlying theme identified during our work over this risk is that the Council have struggled with capacity within the finance team during 2023/24 and mitigated this by bringing in agency and interim staff to meet their statutory requirements.

# Value for Money Commentary (continued)

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

**No significant weakness identified**

Management did have a draft outturn report for 2022/23 in a timely manner and did have arrangements in place to draft the 2023/24 financial statements, although they did not fully implement these and call on further additional resources, they could have done to issue these more timely.

The Council has performed a review of its finance function and has initiated ten projects within finance to enhance the service and future proof it. The four pillars under-pinning the finance projects are:

- Transactional Finance & Systems
- Business Planning & Performance Management
- Statutory & Technical Financial Accounting / Internal Audit
- Insurance, Risk and Procurement

The finance projects have been being developed over the past year and these are expected to bring improvements and additional capacity to the finance team. The streamlining of the reporting process will also provide the Council with consistent reporting during the year and after the year end.

Whilst it appears that there have been weaknesses within the Council's arrangements with reliance on agency and interim staff, the underlying arrangements are in place and are being enhanced to be better fit for purpose and provide more stability for the finance team moving forwards. Therefore, we conclude that there is no significant weakness in arrangements.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.**

**Recommendation: In order to meet its statutory reporting responsibilities, the Council needs to ensure that it has adequate arrangements in place to prepare its internal and external financial reporting in a timely manner. Recommendation also linked to Financial Sustainability**

# Value for Money Commentary (continued)

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

No significant weakness identified

We have obtained and reviewed the key performance indicators (KPI) reports and observe that the Council has continued to track its KPIs and where these were not met, reasonable explanations have been sought that set out show the cause and remediation actions put in place to ensure that the responsible committee or department continues to work towards meeting the performance indicator.

The Council has policies in place to ensure that goods and services are procured in the most economically beneficial manner and obtaining value for money in its procurement process. The internal auditor (Southern Internal Audit Partnership) performs regular checks re compliance with procurement requirements and the general internal control system at the Council to make sure that relevant legislations and internal standard procedures are adhered to. Any instances of non-compliance and exceptions are included in the corporate risk register and reported to members.

In August 2018, the Council received a Regulatory Notice published by the Regulator for Social Housing (RSH) in August 2018. Since publication, the Council has developed an action plan with the RSH which has been monitored monthly. Their efforts have resulted in the Regulatory Notice being withdrawn from July 2023.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**



# 05 Appendices

# Appendix A – Management representation letter

## Management representation letter

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

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the financial statements of Arun District Council ("the Council") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Arun District Council as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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

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

### A. Financial Statements and Financial Records

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



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## Management Rep Letter

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial improprieties;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the 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 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 are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council; Audit and Governance; Economy and Policy and Finance committees (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: 27 February 2025.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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

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## Management Rep Letter

transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. 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 2023/24.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

### 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 financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

### E. Going Concern

1. Note 1 to the financial statements discloses all the matters of which we are aware that are relevant to the 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 the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

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

# Appendix A – Management representation letter

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## Management Rep Letter

5. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

### H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, aligned with the statements we have made in the other information or other public communications made by us.

### I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in the financial statements. All assets to which the Council has satisfactory title appear in the balance sheet.
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in the financial statements, we have no other line of credit arrangements.

### J. Reserves

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

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

1. We agree with the findings of the specialists that we engaged to evaluate the NDR appeals provision, IAS 19 net pension liability and asset valuations and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### L. Estimates

NDR appeals provision, IAS 19 net pension liability and asset valuations Estimate

1. We confirm that the significant judgments made in making the NDR appeals provision, IAS 19 net pension liability and asset valuations accounting estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the NDR appeals provision, IAS 19 net pension liability and asset valuations accounting estimates.

# Appendix A – Management representation letter

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## Management Rep Letter

3. We confirm that the significant assumptions used in making the NDR appeals provision, IAS 19 net pension liability and asset valuations accounting estimates appropriately reflect our intent and ability to carry out any relevant specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
5. We confirm that appropriate specialized skills or expertise has been applied in making the NDR appeals provision, IAS 19 net pension liability and asset valuations accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

### **M. 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,

\_\_\_\_\_  
(Group Head of Finance and Section 151 Officer)

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

# Appendix B – Fees

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

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

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

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

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

	2023/24	Note reference	2022/23
	£	£	£
Scale fee	159,307	(1)	52,969
<b>Total audit</b>	<b>TBC</b>		<b>TBC</b>
Other non-audit services not covered above (Housing benefits)	TBC		28,000
<b>Total other non-audit services</b>	<b>TBC</b>		<b>28,000</b>
<b>Total fees</b>	<b>TBC</b>		<b>TBC</b>

*All fees exclude VAT*

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23 and 2023/24.

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

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

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

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report - July 2024
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	Audit Completion Report - February 2025

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

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Completion Report - February 2025
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Completion Report - February 2025
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility</li> </ul>	Audit Completion Report - February 2025

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

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Completion Report - February 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> </li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report - July 2024</p> <p>Audit Completion Report - February 2025</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Completion Report - February 2025
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of</li> </ul>	Audit Completion Report - February 2025
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Completion Report - February 2025



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

## Our Reporting to you

Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Completion Report - February 2025
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Completion Report - February 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Completion Report - February 2025
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Completion Report - February 2025

# Appendix D – VFM - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

The Council sets a revenue budget annually. The budget supports delivery of the Council's key priorities. The budget is therefore used to ensure financial resources are aligned to areas where the Council believes it will secure the greatest benefit to residents of the area. The annual budget is then linked to the medium-term aspirations of the Council through its medium-term financial forecast (MTFF) and capital programme, which consider a five year forward view. Council members are fully engaged in this process, including a briefing on the MTFF including options for managing pressures and savings.

The budget considers known and expected demand and cost pressures and known and expected changes in funding. The wider financial environment has become increasingly challenging for local government in recent years and the Council has needed to operate against a backdrop of reduced funding from traditional sources and increased demand for services. This has meant that difficult choices have needed to be made and rises in council tax have been necessary. In making these choices the Council seeks to focus on the areas it believes will make the biggest difference to people in the local area.

Financial risks are included in the Council's Corporate Risk Register, which, alongside the Risk Management Framework. The strategies to mitigate the risks included in the register are regularly updated and challenged by members of the Audit and Governance Committee as evidenced through review of the committee minutes.

The Council has set balanced budgets without the need to increase income from commercial sources and have not pursued investments in higher risk commercial ventures and have an immaterial level of investment properties.

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

The Council regularly reports on financial performance and planning to the Policy and Finance Committee which enables the Council to identify gaps in funding and monitor progress on meeting budget targets. The Council brings its annual budget plans to this Committee for challenge and scrutiny before reporting to the Full Council.

The Council has a policy of setting a minimum General Fund Reserve at £5 million as per the Medium-Term Financial Forecast. There are also a number of earmarked reserves to meet specific liabilities when they fall due. This includes the Funding Resilience Reserve, with the intention that these funds can help bridge future budget gaps identified within the MTFF.

Excluding the General Fund Reserve and Financial Resilience Reserve, the Council has other usable reserves some of which are earmarked to meet specific liabilities as they fall due.

The budget for 2024/25 was set during the year based on the assumptions included in the MTFF. This budget was balanced through the use of revenue reserves including from the Funding Resilience Reserve to cover a general deficit in the General Fund balance. As noted above, the Council have a sufficient balance within the Funding Resilience Reserve to cover this short-term shortfall but are looking to identify savings and efficiencies to reduce the reliance on reserves.

The Council has also drafted a savings plan across various budget lines with an aim of ensuring sustainability post the medium term.

# Appendix D - VFM - Summary of arrangements (continued)

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

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

The annual budget and MTFF sit alongside and facilitate the Council's Corporate Plan. This is centred around the below themes:

- Improving the wellbeing of Arun
- Delivering the right homes in the right places
- Supporting our environment to support us
- Fulfilling Arun's economic potential

The Corporate Plan has been developed collaboratively with elected members, staff, partners and residents to prioritise the most important areas the Council needs to focus on in the future. This is done so that the Council's limited resources can be spent on the areas where it is needed most. As it is aligned to the budget and MTFF, it is intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve.

Indicators of performance are reviewed by the Policy and Finance Committee every quarter.

The process of preparing the budget begins with using the approved MTFF and updating with more detailed information as this becomes known. The financial performance against budget is reviewed annually within the Revenue and Capital Outturn reports to the Policy and Finance Committee. This document also provides monitoring of the overall financial performance against budget, capital spend and project management reports. Where this performance information suggests a financial impact, this is reflected within the proposed budget.

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

The integration between the Council's business and financial planning has been described above, including the link to its capital strategy and capital programme. The development of the annual budget and MTFF, and detailed assumptions on the operations of the Council that underpin them, is now being driven by its vision of the future as set out in the Corporate Plan, which is also then linked to the key governance and control arrangements of the Council, for example its performance and risk management arrangements. This has shown that the Council is able to react and work effectively as part of wider system of public services.

Other examples of plans which are incorporated into the MTFF include the Housing Revenue Account Business Plan Update, which was considered by the Housing and Wellbeing Committee within the year. The information in this plan was incorporated into the HRA budget included within the 2024/25 budget.

The Capital Strategy is published over a 4-year period to allow this to be factored into the MTFF. Projections on the planned level of capital spending, borrowing and interest rates are considered each time the MTFF is updated.

# Appendix D - VFM - Summary of arrangements (continued)

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

We consider there to be no specific risks to the Council that are outside the normal risks faced by all local government bodies. The main risks to the Council's financial resilience, as recognised by the Council, are driven by:

- Reduced Government funding
- Reliance on strategic partners to deliver services and projects
- Financial impact of a cost-of-living crisis, including national and local budget pressures
- Macro economy, interest rates and inflation
- Failure to achieve income targets

Unplanned changes in demand or changes in assumptions are proactively managed where possible and budget revisions prepared. Internal departmental reporting is completed monthly. In addition, quarterly reporting of the actual financial position against the budgeted position is completed to identify, report and respond to variances which appear.

# Appendix D - VFM - Summary of arrangements (continued)

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

The Council seeks to develop systems to identify, evaluate and mitigate risks which threaten its ability to meet its objectives to deliver services to the public. To ensure that risks are appropriately mitigated, the Council maintains a Risk Management Framework and a Corporate Risk Register. The Council updated both the Risk Management Framework and Corporate Risk register within the year under review to enable a full review of the risks faced by the Council in achieving the objectives as outlined in the Council's new Corporate Plan.

The register details the risks facing the Council and the impact on critical services. It is managed by the Council's Corporate Management Team and updated for newly stated risks and ongoing matters on a regular basis. Risk owners are generally a member of this group. The Risk Register is regularly presented to the Audit and Governance committee for their review and approval.

The Council operates a "Three line of defence" model to identify and manage risks, as follows:

- **First line of defence:** As the first line of defence, Service Lead or service managers own and manage risks within their service area. They are also responsible for implementing appropriate corrective action to address, process and control weaknesses. Service Leads are also responsible for maintaining effective internal controls and managing risk on a day-to-day basis. They identify, assess, control and manage risks ensuring that their services are delivered in accordance with the Council's aims and objectives.
- **Second line of defence:** The second line of defence relates to the strategic direction, policies and procedures provided by the Council's oversight functions (e.g. Finance, Legal Services, Procurement and HR). These teams are responsible for designing policies, setting direction, ensuring compliance and providing assurance. Included within the Anti-Fraud and Corruption Policy is the Council's Whistleblowing Policy which encourages staff to report concerns which may expose the Council to risk.
- **Third line of defence:** Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the organisations operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Council has an established anti-fraud and corruption strategy, anti-money laundering policy and whistle-blowing arrangements that are accessible on its website: <https://www.arun.gov.uk/internal-audit/>. The Council produce a Counter Fraud Report each year which details the arrangements in relation to the prevention and detection of fraud. The report shows achievements to date and looks forward to the year ahead to consider what the potential risks might be.

# Appendix D - VFM - Summary of arrangements (continued)

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

The Council sets an annual budget. We have considered the linkage between the annual budget and the MTF in the section of this VFM commentary which considers how the Council identifies all significant financial pressures that are relevant to its short term and medium-term plans.

The budget is finalised by the Finance Team (with oversight from the Group Head of Finance) and scrutinised by the Policy and Finance Committee. It is then approved by the Full Council prior to the start of the next financial year.

The budget is reviewed quarterly by the Policy and Finance Committee, and where significant changes are identified in year which results in the original budget being no longer reflective of the actual conditions in year, the budget is updated.

The Council's aim is to maintain the General Fund balance at the minimum level (£5 million) whilst maintaining sufficient earmarked reserves to cover their risk exposure. This is achieved through transfer of any surplus to the General Fund to specific earmarked reserves, such as the Funding Resilience Reserve. During the year, they report internally on the performance of the general fund, and earmarked reserves.

Further ringfenced reserves for the HRA and capital purposes are also held by the Council, but these cannot be used to support the general revenue budget.

# Appendix D - VFM - Summary of arrangements (continued)

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

The Group Head of Finance is responsible for ensuring the revenue budgets and the capital programme are monitored effectively. There is a requirement to monitor expenditure against budget allocations and report to the Full Council on the overall position on a regular basis, as part of the Council's overall financial and performance management reporting process. It is the responsibility of Heads of Service to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the finance team. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Group Head of Finance to any problems.

The Council's financial performance (revenue and capital), savings delivery and business performance are formally reported quarterly to the Policy and Finance Committee. The report includes:

- A General Fund Summary (split by service line)
- Housing Revenue Account (HRA)
- Capital, Asset Management and Other Project Programmes
- Cash Flow and Treasury Management

The Council also produce non-financial monitoring reports in relation to performance against its corporate strategy KPIs (developed from their Corporate Plan) with reports presented to the Policy and Finance Committee. As part of the process current and proposed corrective actions to address financial and performance risks are reported.

Statutory financial reporting is prepared at year-end based on the CIPFA requirements. The annual governance statement and the narrative statement confirm that the financial statements are prepared in accordance with the relevant financial CIPFA code.

# Appendix D - VFM - Summary of arrangements (continued)

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

Decisions are taken by the committees of the Council, and are informed by detailed reports produced by officers, with key decisions on Council policy taken by the Full Council or Regulatory Committees in accordance with the Council's Constitution. There are 6 service committees:

- Corporate Support
- Economy
- Environment
- Housing and Wellbeing
- Planning Policy
- Policy and Finance

Committee papers and minutes of meetings are published online for all committees, evidencing the challenge made by members and the transparency in decision-making: <https://democracy.arun.gov.uk/mgListCommittees.aspx?bcr=1>

The Council has an established Audit and Governance Committee which is the body formally charged with governance at the Council. The Purpose and Functions of this committee include:

- Providing independent assurance of the adequacy of the governance and risk management frameworks and the associated control environment
- Providing independent scrutiny of the authority's financial and nonfinancial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment
- Overseeing the financial reporting process, as well as the work of internal and external audit
- Advising the Council on the arrangements for an appropriate regulatory framework and approval of the Annual Governance Statement

Financial reports are separately scrutinised by the Policy and Finance Committee, as noted above.



# Appendix D - VFM - Summary of arrangements (continued)

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

### Reporting criteria considerations

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

### Arrangements in place

The responsibilities and statutory requirements of all officers and members is embedded in the Constitution. All significant actions by the Council which may have legal implications either require authorisation by the Monitoring Officer or individuals specifically delegated to act on behalf of the Monitoring Officer as set out in the Council's decision-making rules. Decision makers are also required to act within the Council's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform such decisions.

The Council's Constitution contains several check points at which officers can identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance. The Council has also adopted a Local Code of Corporate Governance (the Code) which is a framework based on guidance published in April 2016 by the Chartered Institute of Public Finance Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) around 'Delivering Good Governance in Local Government' presented to the Audit and Governance Committee in July 2023. The Code is underpinned by the 7 core principles in the CIPFA/SOLACE framework, and is comprised of policies, procedures, behaviours and values by which the authority is controlled and governed. This provides the structures and guidance that members and employees require to ensure effective governance across the Council. It also sets out the Council's expectations and arrangements to help ensure that the Council conducts its business in accordance with the law and proper standards. One of its objectives is to ensure and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

There is an established Employee Code of Conduct, Member Code of Conduct and Protocol for Member/Officer Relations. The Members' code of conduct is also set out in Part 8 of the Constitution. Both members and officers are also required to declare related party interests which we consider as part of our work to gain assurance over related party transactions. Member interests are publicly available on the Council's website found at: <https://www.arun.gov.uk/register-of-members-interests/>

# Appendix D - VFM - Summary of arrangements (continued)

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

The Council produces a report of its Strategic Key Performance Indicators within their Quarterly Performance Reports using a scorecard. These KPIs are linked back to the key priorities within the Corporate Plan. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress.

How the body evaluates the services it provides to assess performance and identify areas for improvement

Service performance against Council priorities is considered regularly throughout the year through the quarterly Performance Monitoring Reports. The service committees hold responsibility for monitoring and managing performance of KPI's in their areas. The monitoring of arrangements therefore present a complete picture of both business and financial performance.

This enables the Council to identify services or capital programmes that are not performing as expected by reference to KPI outcomes against targets which are based on the Council's strategic priorities as per the Corporate Plan. KPIs are given RAG ratings to clearly identify those items that are underperforming, or perhaps require closer monitoring. The Council continues to monitor and review its corporate priorities and MTFE to ensure that the plan and KPI's are aligned to the changing environment.

As noted in the sections above, the Council monitors both the General Fund and HRA spend against budget through quarterly monitoring reports presented to the Policy and Finance Committee. In addition, the Council produce a year end Revenue and Capital Outturn report which summarizes the financial activity during the year.

# Appendix D - VFM - Summary of arrangements (continued)

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

### Reporting criteria considerations

### Arrangements in place

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council is an active participant in several local and national partnerships, including:

- The Safer Arun Partnership
- The Arun Wellbeing Programme / Arun Local Community Network
- The Arun Local Community Network
- The WSCC Joint Climate Change Board
- The Coast to Capital Local Enterprise Partnership
- The Bognor Regis Regeneration Board
- The Coastal West Sussex Partnership
- The Rural West Sussex Partnership

Further details of the Council's current partnerships can be found in the specific sections of their website (e.g. [Safer Arun Partnership and Joint Action Group | Arun District Council](#)) and within the Annual Governance Statement.

These arrangements are entered into in line with the constitution and adheres to the budget monitoring processes as noted in the sections above.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council's Procurement Standing Orders (Purchasing, Procurement, Contracts and Disposals) is included within Part 6.4 of the Constitution. This section also sets out the limited circumstances and processes that need to be followed for those procurement requirements to be waived and includes details on the terms and conditions and general procurement process.

Procurement details and opportunities are recorded on the Council's website: [www.arun.gov.uk/the-procurement-process](http://www.arun.gov.uk/the-procurement-process)

The Council manages the risk around potential supply chain management and potential disruptions through the inclusion of related risks in its Corporate Risk Register.

# Appendix E – VFM – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report. We note that these recommendations were raised in the prior year but have not yet been fully addressed. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial Sustainability Governance	In order to meet its statutory reporting responsibilities, the Council needs to ensure that it has adequate arrangements in place to prepare its internal and external financial reporting in a timely manner.	<p>The Council has demonstrated its commitment to Financial Sustainability Governance by meeting reporting obligations effectively. In the past year, timely reporting internally and externally, along with addressing backlogs for management accounts, has been a priority. Notably, the Council consolidated and reported management reporting for 2022/23 and 2023/24 while advancing the Q1 2024/25 report by 2.5 months. Additionally, financial accounts for 2021/22, 2022/23, and 2023/24 have been published.</p> <p>To enhance Financial Sustainability Governance further, the council now conducts monthly finance meetings with Group Heads and Budget holders. Moreover, a Finance transformation program is underway, marked by a substantial recruitment initiative to build a sustainable, permanent, and strengthened team.</p>
Financial Sustainability	The Council are using reserves to bridge the funding gap in the short-term. This is not a sustainable solution to achieving financial balance and the Council need to develop a savings plan and/or additional funding sources in order to achieve a sustainable financial position.	<p>The Council adopted a Financial Sustainability Strategy in January 2024, with the aim of producing further savings and income streams in order to bridge its structural budget deficit. Progress updates have been delivered to Members and the programme is progressing well seeing the council making significant progress in reducing reserves contributions over the past two budget cycles. The budgets for 2022/23 and 2023/24 saw reductions to £5.8m and £3.6m, respectively, with a proposed draft budget of £1.9m for 25/26 (subject to approvals). A savings review conducted for 24/25 budgets integrated £2.1m in savings into base budgets that have been consumed in base budgets for 25/26. Monthly monitoring continues to drive growth and identify opportunities, with expectations of achieving Financial Sustainability through participation in the announced fast-track two-tier authority devolution initiative within the nine designated areas.</p>

# Appendix F – PSAA Statement of Responsibilities

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

## **Preparation of the statement of accounts**

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

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

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

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

# Appendix G – Other Communications

## EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#).

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