

**West Suffolk Council
Audit Results Report**

Year ended 31 March 2020

5 November 2020

5 November 2020



Dear Performance & Audit Scrutiny Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Performance & Audit Scrutiny Committee. This report summarises our preliminary audit conclusion in relation to the audit of West Suffolk Council for 2019/20.

We have substantially completed our audit of West Suffolk Council for the year ended 31 March 2020. We have set out the current status of the audit in the Executive Summary and provided details of progress against each area of significant risk and areas of audit focus in Section 2.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the Council's financial statements in the form at Section 3.

We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Performance & Audit Scrutiny Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Performance & Audit Scrutiny Committee meeting on 19 November 2020.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner
For and on behalf of Ernst & Young LLP

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Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This 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 (updated April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Executive Summary

Scope update

In our Audit Plan, presented at the 28 May 2020 Performance & Audit Scrutiny Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan. The main changes noted in our Plan Update were:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July 2020 to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19, in line with our discussions with you at the May Performance & Audit Scrutiny Committee:

- ▶ **Disclosures on going concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council may not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
- ▶ **Valuation of land and buildings (part of the property, plant and equipment and investment property balance in the accounts)** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of land and buildings.

In our Audit Plan, we included the significant risk in regards to the valuation of Land and Buildings and Investment Properties which linked the material uncertainty to all of the Council's assets portfolio. On further consideration of where this risk materialises in the Council's asset portfolio we have revised the significant risk to only include those assets valued at Fair Value or Existing Use Value given the heightened risk over these asset types due to the reduced availability of market data, uncertainty over the future of rental income and predicted yields as at 31 March 2020.

- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.

Executive Summary

Scope update

Changes in materiality:

We updated our planning materiality assessment using the draft accounts and have reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our materiality figures as follows:

	£ million	Basis
Overall Materiality	1.984	2% of Gross Expenditure
Performance materiality	0.992	50% of overall materiality
Reporting threshold	0.099	5% of overall materiality

Information Produced by the Entity (IPE):

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

We are yet to conclude on some areas of this testing.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19:

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. In addition, following the government's decision to enforce a lockdown, all audit firms implemented a moratorium on the majority of their auditor reports. Whilst the moratorium was lifted in mid-April, because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, EY (in common with other firms) introduced a rigorous consultation process for all auditor reports to ensure that we are providing the appropriate assurance to the readers of accounts.

We have noted the impact of the above issues on our audit fee at Section 09.

Executive Summary

Status of the audit

We substantially completed our audit of West Suffolk Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Plan as set out in Section 2. We have also set out the areas that remain to be completed and the reasons. Based on the work completed to date, we have not identified any issues that would lead to a qualified audit opinion. However, until all of our work is complete we are not able to confirm the final form of our audit report, but have included a draft at Section 3.

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

- ▶ Property, Plant & Equipment valuations. Work is substantially complete, with a number of individual valuations to be concluded on by our internal valuers and the audit team;
- ▶ Procedures in relation to the 'material uncertainty' clause included within Management's Experts valuation report in relation to land and buildings. The Council's external valuers have followed the RICS guidance and included material uncertainty statements in their valuation reports for the year ended 31 March 20. We have yet to complete our procedures in relation to updated market reports from the Council's valuer. In addition, we have requested that the Council includes additional disclosures in regards to this material uncertainty within their accounts and we need to review those disclosures for appropriateness;
- ▶ IAS19 Pension Liability. We have received the IAS 19 assurances from the Pension Fund auditor. We have not concluded our procedures on the Council's pension fund liability;
- ▶ Capital Grants Received in Advance - We have one audit query outstanding in relation to the classification of revenue and capital grants;
- ▶ Investment confirmations - we are awaiting a number of 3rd party confirmations of investment balances from financial institutions;
- ▶ Payroll - work is substantially complete, one outstanding area in regards to obtaining an understanding as to the level of payroll expenditure in the first half of the financial year;
- ▶ Other Disclosure Notes.

Closing Procedures:

- ▶ Subsequent events review and Unrecorded liabilities testing which is required to be performed to the audit opinion date;
- ▶ Final Associate Partner review of audit work;
- ▶ Receipt of signed accounts, statement of responsibilities and management representation letter.

Audit differences

To date we have not identified any unadjusted audit differences in the draft financial statements. As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

We identified one material audit adjustment in regards to the Mildenhall Hub and the accounting treatment of capital expenditure. Further details are provided in Section 4. We identified a number of audit disclosure differences in the draft financial statements, which we expect management to adjust for.

Executive Summary

Areas of audit focus

Our Audit Planning Report and Update identified key areas of focus for our audit of West Suffolk Council's financial statements. This report sets out our observations and conclusions. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Risk	Findings & Conclusions
Fraud Risk - Misstatements due to fraud or error (management override)	We have completed our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management override of controls.
Fraud Risk - Incorrect capitalisation of revenue expenditure	We have completed our audit work on capital additions and REFCUS and have not identified any misstatements.
Fraud Risk - Formation of West Suffolk Council	We have completed our audit work on the opening balances for West Suffolk Council and have not identified any misstatements.
Significant Risk - Solar farm valuation	We have completed our work on the valuation of the Council's Solar Farm Asset. An immaterial adjustment of £0.29 million, increasing the assets value to £11.38 million, was identified to bring the valuation within an acceptable range, as determined by our EY valuations team.
Significant Risk - Valuation of land and buildings valued at fair value and existing use value	We employed the use of our own expert to support the work in relation to the valuation of land and buildings. Our expert has not finalised his findings at the time of issuing this report. We have identified that the West Suffolk Hub asset has not been revalued upon reclassification to an operational asset in December 2019 as required by the CIPFA Code of Practice. Whilst the asset has not been formally revalued, our audit procedures have not identified the asset to be materially misstated.
Other Risk - Valuation of land and buildings not valued at fair value and existing use value	We have substantially completed our review of land and building valuations not valued at fair value and existing use value, including a review of assets not revalued. We have not identified any material misstatements at the time of this report. As a result of RICS material uncertainty clauses included within the valuation reports, we have requested that the estimation uncertainty disclosure is enhanced.
Other Risk - Pension Liability valuation	We have reviewed the accounting entries and disclosures in the draft financial statements and assessed the work of the actuary. We have received the IAS 19 assurances from the Pension Fund auditor. We have not concluded our procedures on the Council's pension fund liability.
Other Risk - Going concern disclosure	We discussed the Council's going concern assessment with management and reviewed the adequacy and the robustness of the assessment. We have agreed a revised Going Concern disclosure note.

Executive Summary

Areas of audit focus (Continued)

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Performance & Audit Scrutiny Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We identified one risk in our Audit Plan, and did not identify any further risks during completion of our value for money work.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

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.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your WGA return. As the Council falls below the £500 million threshold for review as per the NAO's group instructions, we are not required to report any matters.

Independence

Please refer to Section 10 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Fraud Risk - Misstatements due to fraud or error

What is the risk?

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

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

We identify and respond to this fraud risk on every audit engagement.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Obtained and understanding of the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including;
 - ▶ tested of journal entries and other adjustments in the preparation of the financial statements;
 - ▶ reviewed accounting estimates for evidence of management bias; and
 - ▶ evaluated the business rationale for significant unusual transactions.

What are our conclusions?

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

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

Our testing of journals is completed and we have not identified adjustments outside of the normal course of business. All journals tested have appropriate rationale.

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



Areas of Audit Focus

Significant risk

Fraud Risk - Inappropriate capitalisation of revenue expenditure

What is the risk?

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.

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and manipulation of revenue expenditure funded through capital under statute (REFCUS).

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Sample tested additions to property, plant and equipment and intangible assets to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- ▶ Sample tested Revenue Expenditure Funded from Capital Under Statute (REFCUS), to verify that they meet the statutory definition for REFCUS and therefore confirm that revenue costs have not been inappropriately funded from capital.
- ▶ Identified the controls the Council has in place to prevent incorrect capitalisation of revenue expenditure.
- ▶ Considered the effectiveness of management's controls designed to address the risk.
- ▶ Tested year end journals which move expenditure from revenue to capital.

What are our conclusions?

We have completed our work on additions and REFCUS and have not identified any additions that were incorrectly capitalised or REFCUS items which did not meet the statutory definition.



Areas of Audit Focus

Significant risk

Fraud Risk - Formation of West Suffolk Council

What is the risk?

There is a risk of management override of controls to manipulate opening reserve balances in West Suffolk Council to meet budget pressures and performance expectations of the new Council.

This risk presents itself in the opportunity to manipulate the merging of balance sheet items in the demised Councils in incorrectly reflect the opening position of West Suffolk Council.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Performed testing of the opening balance sheet position for West Suffolk Council and the process for merging balances of the demised Councils;
- ▶ Compared opening reserve balance position to the Council's budget;
- ▶ Reviewed accounting disclosures relating to Council's opening balances disclosed in the Council's Statement of Accounts and comparing this to the disclosures required by the CIPFA Code of Practice; and
- ▶ We used our testing of journals to identify transactions not appropriately included in the Council's statement of accounts, such as those denoted Forest Heath District Council or St Edmundsbury Borough Council which should be part of West Suffolk Councils statement of accounts.

What are our conclusions?

We have completed our work on the Council's opening balances and did not find any misstatements in regards to West Suffolk Council's opening position.

We did not identify any transactions that were not appropriately included in the Council's statement of accounts.

We reviewed the accounting disclosures relating to the Council's opening balances and identified several disclosure adjustments to the narrative statement and financial statements to bring them in line with the requirements of the CIPFA Code of Practice.

Additional disclosures were required in relation to the inception of West Suffolk Council within the Narrative Statement to explain how the new Council was the legally enacted. In addition, we required an adjustment to the disclosure on the Balance Sheet to state that assets and liabilities were transferred from the demised Council's rather than through acquisition.



Areas of Audit Focus

Significant risk

Significant Risk - Property, Plant and Equipment - Solar Farm Valuation

What did we do?

- ▶ Reviewed the information provided to the Council's Valuer as Management Expert (Cornwall Insight);
- ▶ Undertook procedures to ensure that we can rely on the Valuer as management's expert;
- ▶ Employed our EY Valuations team as our expert to review the assumptions and conclusions of Cornwall Insight and the Council in relation to the valuation of the solar farm at the balance sheet date; and
- ▶ Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to Solar Farm asset.

What is the risk?

The Council have engaged a new expert (Cornwall Insight) to provide this assumption data, which will form the basis of the Council's valuation methodology. The Solar Farm will be valued utilising the income approach, discounting future cash flows by application of a discount rate. This method relies on the accuracy of a number of assumptions, namely, future power prices, inflation and discount rates which can be subject to significant fluctuation year on year. Given the highly material nature of the asset relatively small percentage variations in the assumptions applied could lead to material changes in the assets valuation.

What are our conclusions?

We have completed our work on the valuation of the Council's Solar Farm Asset.

Our EY valuations team concluded that the assumptions and methodologies used to derive the valuation, by Management's expert, were appropriate and the power price information provided by Management's expert was in line with expectation.

Our EY valuations team identified several adjustments to the valuation model that were required to correctly calculate the Solar Farm's value. This led to an audit difference to the Solar Farm's value of £0.29 million, increasing the carrying value from £11.09 million in the draft statement of accounts to £11.38 million. Management have amended the statement of accounts to reflect this value.

The adjusted value of the Solar Farm therefore falls within an acceptable range as determined by our EY valuations team.

Following the amendment, the accounting entries and disclosures made within the Council's revised financial statements in relation to the Solar Farm asset are appropriate.



Areas of Audit Focus

Significant risk

Significant Risk - Valuation of land and buildings valued at fair value and existing use value.

What is the risk?

The valuation of land and buildings represent a significant balance in the Council's Balance Sheet and are subject to valuation changes and impairment reviews.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. At 31 March 2020 the total value of Land and Buildings assets totalled £231 million.

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

Following the Covid-19 outbreak in March 2020, there is potential for significant impact on the estimations and assumptions applied to asset valuations with qualified valuers reporting 'material uncertainty' within valuation reports. In particular this impacts on other land and buildings assets valued at fair value or existing use value due to the reduced availability of market data, uncertainty over the future of rental income and predicted yields on which to value these assets as at 31 March 2020. The value of assets valued at fair value and existing use value in the Councils balance sheet as at 31 March 2020 is £28 million.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Considered the work performed by the valuer over the Councils assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation, and agreed this to what had been recorded in the fixed asset register and general ledger;
- ▶ Considered if there was any specific changes to assets that have occurred and that these had been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; and
- ▶ Tested accounting entries had been correctly processed in the financial statements.
- ▶ Reviewed the Councils assessment of valuations carried out to assess the material accuracy of the values reported as at the 31/03/2020;
- ▶ Assessed the Councils asset base by type of asset and valuation methodology;
- ▶ Ensured that appropriate disclosure had been made in the accounts concerning the material uncertainty relating to year end valuations; and
- ▶ Considered and addressed comments in EY Real Estates review of asset valuation methodologies.

(Continued on next page)



Areas of Audit Focus

Significant risk

What are our conclusions?

We employed the use of our own expert to support the work in relation to the valuation of land and buildings. Our expert has not finalised their findings at the time of issuing this report.

West Suffolk Hub

We have identified through our audit procedures to date that the Council have re-classified the West Suffolk Hub asset from Assets Under Construction to Other Land and Buildings when the asset became operational in December 2019. The Council did not revalue the asset, which is held at a cost of £13.7 million, as required by the CIPFA Code of Practice upon change of its classification. We have performed additional procedures to confirm that the assets value would not have been materially different if the asset had been revalued under depreciated replacement cost rather than historic cost.

We will request specific representations from management in their Letter of Representation to confirm that they do not believe the assets valuation would be materially different.

Recommendation: The Council should ensure that all assets are appropriately valued upon reclassification from Assets under Construction, in line with the requirements of the CIPFA Code of Practice.

Mildenhall Hub

We identified that capital expenditure incurred on the Mildenhall Hub project had not been correctly reflected in the Council's statement of accounts. We identified that the Council had netted off contributions received from project partners against the total expenditure incurred up to the 31 March 2020.

The Council should have recorded the full construction cost of the Mildenhall Hub under Assets Under Construction as the Council currently has the risks and rewards of the asset. Contributions from other parties should then be used to finance the cost of the asset rather than netting off the cost in the Balance Sheet.

This resulted in an understatement of the value of the Mildenhall Hub project in the Council's Balance Sheet of £9.50 million.

Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

Valuation of land and buildings not valued at fair value or exiting value

The valuation of land and buildings 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 judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

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

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Considered the work performed by the valuer over the Councils assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation, and agreed this to what has been recorded in the fixed asset register and general ledger;
- ▶ Considered if there were any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code;
- ▶ Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- ▶ Tested accounting entries to confirm they have been correctly processed in the financial statements;
- ▶ Reviewed the Council's assessment of valuations carried out to assess the material accuracy of the values reported as at the 31/03/2020;
- ▶ Assessed the Council's asset base by type of asset and valuation methodology, as the impact of Covid-19 on valuations was likely to be more significant for assets valued on the basis of data from market transactions;
- ▶ Ensured the appropriate disclosure has been made in the accounts concerning the material uncertainty relating to year end valuations; and

We have substantially completed the work detailed above, with the exception of our assessment of the adequacy of disclosure of the material uncertainty regarding the year end valuations.

Areas of Audit Focus

Other areas of audit focus (continued)

What is the risk/area of focus?

Pension Liability - IAS19

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. In addition, every three years, a formal valuation of the whole fund is carried out in accordance with the LGPS Regulations 2013 to assess and examine the ongoing financial position of the fund. The IAS19 reports for 2019/20 will reflect the updated membership numbers provided for this triennial valuation. We will therefore need to seek additional assurances from the Pension Fund auditor over this data.

Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf

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

An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Suffolk Pension Fund, for example private equity investments where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Liaised with the auditors of the Suffolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to West Suffolk Council;
- ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC, being the Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY Pensions actuarial team;
- ▶ Considered the movement in fund asset values between the actuary's estimate and year end; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We have not yet concluded on the impact of the McCloud and Goodwin legal cases and the treatment of these by the actuary in the Council's triannual valuation and IAS19 report. For 2019/20 there is an additional impact of McCloud as the HM Treasury, on the 16 July 2020, issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud case.

Areas of Audit Focus

Other areas of audit focus (continued)

What is the risk/area of focus?

Going concern disclosures

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

CIPFA LASAAC and the extant (IFRS based but adapted) Code of Practice for Local Authority accounting 2018/19 presume that organisations operate as a going concern until Central Government discontinues the services. There is a statutory prescription that operational services will continue to be provided for the foreseeable future. That presumption has not changed in light of C19. The Code para 2.1.2.6 states that local authority financial statements shall be prepared on a going concern basis.

However, the Financial Reporting Council's Statement of Recommended Practice - Practice Note 10 - Audit of financial statements of public sector bodies in the United Kingdom still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting in the auditor's report. In particular where there is insufficient assurance from the entity's representations, stress testing, modelling and forecasting or the lack of third-party confirmations and guarantees. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

What did we do?

We confirm that we have performed the following procedures:

- ▶ Obtained and reviewed managements going concern assessment;
- ▶ Challenged management's assessment of going concern using sensitivity analysis;
- ▶ Reviewed supporting evidence such as cash flow forecasts and post year-end valuation statements for evidence to support managements going concern assessment; and
- ▶ Ensured sufficient disclosure within the financial statements.

Following our work in this area we consider Management's assessment to be robust and appropriate. Following further discussion Management have included an additional detailed disclosure note (Note 5) within the revised financial statements in respect of Going Concern.

As a result of these procedures we do not have any matters to raise.



03

Audit Report

DRAFT



Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUFFOLK COUNCIL

Opinion

We have audited the financial statements of West Suffolk Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Movement in Reserves Statement,
- ▶ Comprehensive Income and Expenditure Statement,
- ▶ Balance Sheet,
- ▶ Cash Flow Statement,
- ▶ the Expenditure and Funding Analysis,
- ▶ the Collection Fund and the related notes 1 to 42

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 2019/20.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of West Suffolk Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Our opinion on the financial statements

Other information

The other information comprises the information included in the "Statement of Accounts 2019/2020", other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, West Suffolk Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

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



Draft audit report

Our opinion on the financial statements

- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the “Statement of Responsibilities for the Statement of Accounts” set out on pages 13 and 14, the Chief Financial 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 2019/20, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether West Suffolk Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Suffolk Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.



Audit Report

DRAFT

Draft audit report

Our opinion on the financial statements

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

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



04 Audit Differences





Audit Differences

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

As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Summary of adjusted differences

1. We identified one material audit adjustment in relation to the Mildenhall hub project and the accounting treatment of capital expenditure incurred. We identified through the course of our audit procedures that the Council had netted off contributions received from project partners against the total expenditure incurred up to the 31 March 2020. This resulted in an understatement of the value of the Mildenhall Hub project in the Council's Balance Sheet of £9.5 million.

- ▶ Debit: Balance Sheet - Property Plant and Equipment (Assets Under Construction) - £9.5 million
- ▶ Credit: Balance Sheet - Unusable Reserve - Capital Adjustments Account - £9.5 million

2. We identified number of other audit adjustments, which fall above our trivial threshold, that have been adjusted through the course of our audit. These are set out below:

Solar Farm Valuation - we identified that the Solar Farm asset valuation had been understated by £0.29 million.

- ▶ Debit: Balance Sheet - Property Plant and Equipment (Other Land and Buildings) - £0.29 million
- ▶ Credit: Balance Sheet - Unusable Reserve - Revaluation Reserve - £0.29 million

Provisions - we identified that the Accumulated Absence provision had been understated by £0.19 million.

- ▶ Debit: Balance Sheet - Unusable Reserve - Accumulated Absence provision - £0.19 million
- ▶ Credit: Balance Sheet - Short Term Provisions - £0.19 million

Creditors - One creditor in relation to REFCUS expenditure with a value of £0.12 million had been omitted from the Statement of Accounts.

- ▶ Debit: Balance Sheet - Grants Received in Advance - £0.12 million
- ▶ Credit: Balance Sheet - Short Term Creditors - £0.12 million



Audit Differences (continued)

Summary of adjusted differences (continued)

3. In addition, the following additions to key disclosure notes were required in the following areas:

- ▶ The draft financial statements did not include a Going Concern disclosure. This has subsequently been prepared for inclusion within the revised financial statements. We have reviewed the disclosure and confirm that it appropriately reflects Management's going concern assessment.
- ▶ Additional disclosures were required in respect of the 'valuation uncertainty' expressed within the valuers report for Property Funds (Wilks Head & Eve). These have been added to *Note 33: Assumptions made about the future & other major sources of estimation uncertainty*.
- ▶ Additional disclosures were required in relation to the inception of West Suffolk Council within the Narrative Statement to explain how the new Council was the legally set up and adjustment to the disclosure on the Balance Sheet to state that assets and liabilities were transferred from the demised Council's rather than through acquisition.

4. We also identified a number of other minor disclosure adjustments - management has agreed to amend for all disclosure adjustments within the revised financial statements.

Summary of unadjusted differences

We have not identified any unadjusted audit differences at the date of this report.

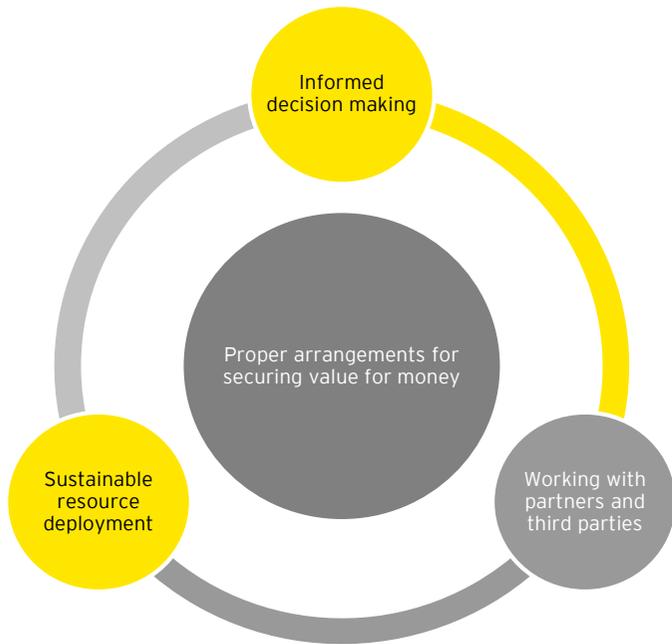


05

Value for Money



Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 value for money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 value for money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 value for money arrangements conclusion.

Overall conclusion

We identified one significant risk in relation to these arrangements. The table on the following page presents our findings in response to the risk identified within our Audit Plan.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Medium Term Financial Planning</p> <p>To date the Council has responded well to the financial pressure resulting from the continuing economic downturn.</p> <p>The MTFP needs to build in expected levels of grant funding from the Local Government settlement, other income streams.</p> <p>The MTFP will also need to consider the impact of COVID 19 and the impact of lost income and additional expenditure related to the pandemic.</p> <p>There will be a need to identify any residual savings against any identified budget gaps in the next 4 year period between 2020 to 2025 of the MTFP.</p>	<p>Sustainable resource deployment</p>	<p>We have undertaken the procedures set out in our Audit Plan which focused on:</p> <ul style="list-style-type: none"> ▶ Assessing the adequacy of the Council’s budget setting process; ▶ Challenging the robustness of key assumptions used in medium term planning; ▶ Reviewing the Council’s approach to prioritising resources whilst maintaining services; and ▶ For a sample of initiatives testing the adequacy of the Council’s arrangements for delivering savings / planned efficiencies. <p>Our procedures have provided adequate assurance that the Council has followed the appropriate processes based on adequate information.</p> <p>We have no matters to report in relation to this risk.</p>



06 Other reporting issues

Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year 2019/20 with the audited financial statements.

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

Financial information in the Annual Financial Report 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your WGA return. The extent of our review, and the nature of our report, is specified by the NAO.

As the Council falls below the £500 million threshold for review as per the NAO's group instructions, we are not required to report any matters.

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.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have not identified any relevant issues.

We did not receive any objections to the Council's financial statements as a result of the inspection period.

Other reporting issues

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the 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;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

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



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



09

Independence

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 28 May 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Performance & Audit Scrutiny Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Performance & Audit Scrutiny Committee on 19 November 2020.

Relationships, services and related threats and safeguards

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

There are no relationships from 01 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis.

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

Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work.

	Proposed Final Fee 2019/20	Scale Fee 2019/20
	£'s	£'s
Total Audit Fee - Code work (see note below)	66,925	66,925
Changes in work required to address professional and regulatory requirements and scope associated with risk (See Note 1)	28,255	-
Revised Proposed Scale Fee	95,180	66,925
Additional specific one-off work required for Covid-19 considerations (Note 2)	To be confirmed	-
Total Fees	To be confirmed	66,925

All fees exclude VAT

Notes:

Note 1 - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of West Suffolk Council - £10,223
- Additional work to address increase in Regulatory standards - £17,070
- Client readiness and IT support for Data Analytics - £762

This additional fee has been discussed with management, who have approved the increased costs in relation to risk profile and Client readiness and IT support for Data Analytics. The remaining element (regulatory standards) is subject to approval by the PSAA Ltd. We will provide an update on the additional specific one off fee at the conclusion of the audit in the Annual Audit Letter.

Note 2 - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas, we can quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Audit Letter.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



10 Appendices

Appendix A

Required communications with the Corporate Governance Committee

There are certain communications that we must provide to the Performance & Audit Scrutiny Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Performance & Audit Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 28 May 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 28 May 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - 19 November 2020

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit Plan - 28 May 2020 Audit Results Report - 19 November 2020</p>
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	<p>Audit Results Report - 19 November 2020.</p>
Subsequent events	<ul style="list-style-type: none"> ▶ Asking the Performance & Audit Scrutiny Committee where appropriate about whether any subsequent events have occurred that might affect the financial statements. 	<p>Audit Results Report - 19 November 2020.</p>
Fraud	<ul style="list-style-type: none"> ▶ Asking the Performance & Audit Scrutiny Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Performance & Audit Scrutiny Committee responsibility. 	<p>Audit Results Report - 19 November 2020.</p>

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Council 	Audit Results Report - 19 November 2020.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan - 28 May 2020 Audit Results Report - 19 November 2020.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We are awaiting receipt of three 3rd party confirmations from financial institutions.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Performance & Audit Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Performance & Audit Scrutiny Committee 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 19 November 2020.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we request from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we request from management and/or those charged with governance 	Audit Results Report - 19 November 2020.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 19 November 2020.
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 19 November 2020.
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - 28 May 2020 Audit Results Report - 19 November 2020.
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	Audit Results Report - 19 November 2020.

Appendix B

Outstanding matters

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

Item	Actions to resolve	Responsibility
Property, Plant and Equipment Valuations review	EY to complete review of the Council's asset valuations.	EY
Review of updated disclosure in regards to the 'material uncertainty' of the Council's Land and Buildings valuations.	Awaiting updated disclosure from the Council. EY to review adequacy of that disclosure.	Management
Review of McCloud and Goodwin treatment by the pension funds actuary, Hymans.	EY to complete review the treatment of McCloud and Goodwin and the impact on the Council's statement of accounts.	EY
Outstanding capital grants received in advance audit query.	Awaiting response to one outstanding query in regards to treatment of revenue and capital grants.	Management
Receipt of investment confirmations.	Awaiting 3 rd party confirmations from 3 financial institutions to support investment balances included within the statement of accounts.	EY and management
Outstanding payroll expenditure testing audit query.	Awaiting response to one outstanding query in regards to payroll expenditure.	Management
Completion of testing of other disclosures.	EY to complete audit procedures over other disclosures.	EY
Agreement of final set of accounts	EY to review final set of accounts for consistency and agree adjustments identified during the course of the audit have been appropriately reflected in the revised accounts.	EY and management
Management representation letter	Receipt of signed management representation letter	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter



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ey.com



Rachael Mann
Head of Resources and Performance
West Suffolk Council
West Suffolk House
Western Way
Bury St Edmunds
IP33 3YU

5 November 2020

Ref:
Your ref:
Direct line: 01223 394547
Email: MHodgson@uk.ey.com

Dear Rachael,

West Suffolk Council – 2019/20 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of West Suffolk Council ("the Authority") for the year ended 31 March 2020.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of the West Suffolk Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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2

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. That you acknowledge as members of management of the Authority, your responsibility for the fair presentation of the Authority's financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the Authority financial statements.
3. That 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 Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements), or;

That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.



Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter



3

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

1. That you acknowledge that you are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority'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 Authority'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. You have provided us 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 as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. That you have made available to us all minutes of the meetings of the Authority and its relevant 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: 19 November 2020.



4

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Authority 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. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the Authority's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:



Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter



5

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Authority.

H. Going Concern

1. That the Authority has prepared the financial statements on a going concern basis and that Note X (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet(s).

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Authority's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.



6

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Authority financial statements due to subsequent events.



Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter



7

M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2019/2020.
2. You confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations

1. West Suffolk Hub – In respect of the West Suffolk Hub, please confirm that in lieu of a formal valuation for the asset becoming operational during the financial year, as required by the CIPFA Code, the recorded cost of the asset is not materially misstated at the 31 March 2020.
2. You confirm that the Council would not build the asset in a different location or under significantly different specifications, if there was an immediate need to.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

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