

West Suffolk Council

Auditor's Annual Report
Year ended 31 March 2021

11 January 2021



Building a better
working world

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

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Performance & Audit Scrutiny Committee and management of West Suffolk Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Performance & Audit Scrutiny Committee and management of West Suffolk Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Performance & Audit Scrutiny Committee and management of West Suffolk Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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.

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Audit Report on the 15 December 2021.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of other information published with the financial statements	Financial information in the financial statements was consistent with the audited accounts.

Area of work	
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the Annual Governance Statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 8 November 2021 to the Performance & Audit Scrutiny Committee. We issued an Addendum Update report on the 14 December 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued

Fees

We carried out our audit of the Council's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Covid-19 related Government Grant Income, Going Concern, the valuation of Property, and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Chief Financial Officer. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.



Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 10 May 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

The Statement of Accounts is an important tool for the Council's to show how it has used public money and how it can demonstrate its financial management and financial health.

On the 15 December 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Performance & Audit Scrutiny Committee on the 18 November 2021. We issued an Addendum Update on the 14 December 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit 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.	<p>We did not identify any material weakness in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.</p> <p>We did not identify any inappropriate journal entries or other adjustments to the financial statements.</p>
Inappropriate capitalisation of expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS) Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the General Fund.	<p>Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.</p> <p>Our sample testing did not identify any revenue items that were incorrectly classified.</p> <p>Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.</p>

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Accounting for Covid-19 related grant funding</p> <p>In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.</p> <p>Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.</p>	<p>Our sample testing of Covid-19 related grant funding identified that the COVID-19 'New Burdens Funding' grant had not been split out from 'Other Grants & Contributions'. The Total value of this grant was £0.613 million and therefore should be disclosed separately. There was no net impact on overall Grant Income received by the Council. This was corrected within the revised Statement of Accounts.</p> <p>The testing did not identify any other grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.</p>
<p>Valuation of Property, Plant, and Equipment</p> <p>Property, Plant, and Equipment represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>Our testing identified differences in respect of the valuation of 3 assets. The net impact on Property, Plant and Equipment of these findings was that assets were overstated by £0.295 million. The Council also identified a £0.205 million adjustment in the posting of these revaluations, between the 'Comprehensive Income & Expenditure Statement' and the Revaluation Reserve.</p> <p>All adjustments were corrected in the revised Statement of Accounts.</p>
<p>Valuation of Solar Farm</p> <p>The Solar Farm represents a significant balance in the Council's accounts and is subject to valuation changes due to fluctuation in assumptions applied.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>Our work did not identify any issues with the valuation of the Solar Farm.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks identified, we also concluded on the following areas of audit focus or inherent risk.

Other area of audit focus	Conclusion
<p>National Non-Domestic Rates Appeals Provision</p> <p>The calculation of the NNDR Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils were forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.</p>	<p>Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision.</p> <p>Where the Council had made local adjustments to reflect on local knowledge and developing appeals, these were also found to be reasonable.</p>
<p>Recoverability of Debtors</p> <p>As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.</p>	<p>Our work did not identify any issues with the reasonableness, accuracy or sufficiency of the provision for the recoverability of receivables made.</p> <p>Our sample testing of trade receivables also did not identify any issues around the recoverability of Debtors held on the Balance Sheet at year end.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Pension Valuations and Disclosures The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Suffolk County Council. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We undertake procedures on the use of management experts and the assumptions underlying fair value estimates. For 2020/21, there may be an impact of Covid-19 on pension asset values as at 31 March 2021.</p>	<p>The Suffolk Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Suffolk Pension Fund, in their assurance letter to us.</p> <p>As a result, the Council received an updated actuarial (IAS19) report from the Actuary, which determined that the liability in the draft accounts was overstated by £0.488 million.</p> <p>The adjustment was corrected in the revised Statement of Accounts.</p>
<p>Group Accounting The Council undertakes its annual assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities. Given complexity of the group structure, an inherent risk has been raised.</p>	<p>Our work identified two audit differences:</p> <p>The Council had incorrectly grossed up the Income and Expenditure of the Group Net Cost of Services (Growth directorate) by £4.479 million. This was a classification adjustment only and the net impact is nil.</p> <p>Additionally, retention fees of £0.162 million had not been included within the total cost of Inventory.</p> <p>Both adjustments were corrected in the revised Statement of Accounts.</p>
<p>Accounting for Collection Fund disclosures During 2020/21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore an inherent risk of incorrect accounting based on the significant level of change in the year.</p>	<p>Our work did not identify any issues with the accounting for Collection Fund disclosures.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Going concern disclosures The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period</p>	<p>We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce the disclosures included within the draft financial statements. We were satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.</p>
<p>Auditing Accounting Estimates ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates.</p>	<p>We did not identify any issues in respect of estimates included within the financial statements.</p>

Continued over.

Financial Statement Audit (continued)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.992 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council
Reporting threshold	We agreed with the Performance & Audit Scrutiny Committee that we would report all audit differences in excess of £0.099 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness.
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness.

Financial Statement Audit (continued)

Audit differences

Management corrected, within the authorised financial statements, audit differences in relation to:

- ▶ Updated market information in respect of Suffolk Pension Fund assets, through receipt of a revised actuarial report. This has reduced the Council's share of the Pension Fund Liability by £0.488 million.
- ▶ Management identified valuation differences of £0.205 million between posting to the 'Revaluation Reserve and the 'Comprehensive Income & Expenditure Statement' following publication of the draft accounts.
- ▶ Incorrectly grossed up Income and Expenditure of the Group Net Cost of Services (Growth directorate) by £4.479 million. This is a classification adjustment only and the net impact of this is nil.
- ▶ Management's Expert used an incorrect BCIS build cost rate for one asset. The cost rate for Libraries instead of Museums was used. The error led to an overstatement of Property, Plant and Equipment of £0.170 million
- ▶ Two other Property, Plant & Equipment assets reviewed by our specialist were valued outside of our expected range. The Council agreed with our findings and agreed to amend the asset valuations to within our acceptable range. One asset to be decreased by £0.455 million and one to be increased by £0.160 million, with a net overstatement of Property, Plant and Equipment of £0.295 million.
- ▶ A retention fee (not recognised by Barley Homes), causing Inventory and Creditors to be understated by £0.162 million within the Group Accounts.

We also identified a small number of misstatements in disclosures which management corrected.

There was one audit difference identified for which management did not adjust the accounts:

- ▶ We identified two invoices in our Property, Plant & Equipment additions testing that had been accounted for in the incorrect period. As this formed part of our representative sample, we have extrapolated this error across the full population to quantify a projected misstatement of £0.239 million.

As the difference was not material, and does not reflect a factual misstatement within the Statement of Accounts, management chose not to amend for the difference and confirmed this within their letter of representation to us.

Section 4

Value for Money



Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Performance & Audit Scrutiny Committee on the 18 November 2021 which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Chief Financial Officer and her team and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work in November and December 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Council and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

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

The Council prepares a Strategic Plan outlining the key priorities for the Council. Each service area develops a Business Plan for delivery of the Strategic Plan. The Strategic Plan and Business Plan are used in the development of the Medium Term Financial Strategy which identifies the required resources to deliver the identified services.

The Medium Term Financial Strategy allocates resources in line with the priorities established in the Council Strategic Framework and essential services.

Each year the Medium Term Financial Strategy is updated with a subsequent period. This is achieved through consultation with budget managers in their areas of responsibility lined to the requirements of the service area Business Plan.

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

Funding gaps are identified as part of the Medium Term Financial Strategy and Annual Budget Setting Process. The Council engages in the use of financial levers through changes in council tax, business rates, and service fees to bridge these gaps alongside the use of planned savings schemes. Directors assign budget holders responsibility for areas of the budget aligned with the decision making responsibility for that area of expenditure.

Financial sustainability (continued)

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

The Medium Term Financial Strategy allocates resources in line with the priorities established in the Council Strategic Framework and essential services. The Annual Budget Setting Process considers where expenditure can be scaled back or identification of opportunities for generation of income.

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

The Council prepares a Strategic Plan outlining the key priorities for the Council. Each service area develops a Business Plan for delivery of the Strategic Plan. The Strategic Plan and Business Plan are used in the development of the Medium Term Financial Strategy. The Council's Strategic Plan is presented and approved alongside the budget, the Treasury Management Strategy and the Capital Strategy. This sets out the wider objectives of the Council in respect of service delivery.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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

The Council maintains a Strategic Risk Register that identifies the potential risk, level of risk based on probability and impact, owners of the risk, and actions to mitigate the risk. The Council maintains a Treasury Management Strategy to safeguard against liquidity shortages and performs a going concern assessment as part of preparation of the Statement of Accounts.

Governance

1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Risk reporting is undertaken as part of the balanced scorecard approach to performance management – derived from the Strategic Risk Register. These scorecards are reviewed monthly by the Leadership team and quarterly by the Performance and Audit Scrutiny Committee. Assurance over the operation of internal controls is achieved through an Internal Audit function who use a risk-based approach to identify the on-going audit programme. The Council has also established counter-fraud and whistle blowing policies to facilitate a culture of incident reporting

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

The Section 151 Officer prepares the Annual Budget on the basis of information provided by the West Suffolk Council Leadership team and budget holders. Consideration is given to the existing approved Medium Term Financial Plan and updates are made as necessary for assumption changes in existing delivery plans, and changes in the macro environment. Budget holders are consulted for the areas of the budget in which they will be held responsible and accept accountability for their budgets and services to be delivered. The budget is presented to Full Council for approval.

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

Directors are responsible for controlling income and expenditure based on the Annual Budget approved by the Council. The directors further delegate the monitoring of the budget to budget holders directly responsible for the decision making process that commits expenditure or income streams. Budget monitoring is an on going process with quarterly performance reporting to the Performance and Audit Scrutiny Committee.

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

The Council consults with members of the public through a number of avenues such as workshops, telephone calls, social media channels and the Council's website, to gauge public opinion on certain issues. Non-cabinet member and the public are also permitted to speak at Council meetings on any matter of the agenda. The Performance and Audit Scrutiny Committee is comprised of appropriately experienced members and have clear terms of reference which emphasise the Committee's role in providing effective challenge

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

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

The Council has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requires as set out in the Constitution under Section 5 for Members, Officers, and Employees. The Council has an established complaints process with complaints being addressed by the Monitoring Officer. Any gifts and hospitality received are declared under the relevant members name and published to the website. Additionally, all offers of gifts and hospitality of whether accepted or not, must be recorded within 28 days. Reminders are sent monthly to members to update declarations.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness

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

The Council appoints a Performance and Audit Scrutiny Committee that monitors the performance of the Council with consideration of performance and risk indicators, financial information, reports from External inspections, Internal and External audit reports, and business plans. On a quarterly basis the Performance and Audit Scrutiny Committee receives a Performance Report from the Section 151 Officer.

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

The Council identifies priorities in its Strategic Framework to assess the performance in its achievement of the stated strategic initiatives. These measures are reported on a quarterly basis to the Performance and Audit Scrutiny Committee. In preparation of the Annual Budget the Council considers adjustments to the services provided to achieved a balanced budget through reduction of service or identification of new income generation streams or planned savings schemes. The Council furthers uses a balanced score card approach.

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

Partnership arrangements take the form of Service Level Agreements. These are reviewed as part of the budget setting process and in advance of the date of cessation of the arrangement. The Council maintains a formal protocol on how it enters into funding arrangements with voluntary and third sector organisations

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

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

The Council employs a procurement strategy through its Contract Procedure Rules, Modern Slavery Statement, Equality Statement, and Strategic Framework. The Council is seeking to consolidate its procurement strategy into a single document for the next fiscal period. The Council has a qualified procurement manager who assesses the appropriateness of significant procurement contracts against laws and regulations. Significant procurement activities are monitored through budget reports provided by specifically assigned project managers.

Recommendations

Recommendations

As a result of the VFM procedures we have not made any recommendations.

The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Forward look

Looking forward to 2021 and beyond, the Council continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.



Section 5

Other Reporting Issues

Other Reporting Issues

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued. We will liaise with the Council to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

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

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Performance & Scrutiny Committee.

Appendix A

Audit Fees



Audit Fees

Our fee for 2020/21 is in line with the audit fee reported in our Annual Results Report presented to the Performance & Audit Scrutiny Committee on 18 November 2021.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	55,050	55,050	66,925
Fee Variation	TBC (Note 2)	-	18,600 (Note 1)
Revised Scale Fee	TBC	55,050	85,525
Agreed Upon Procedures - Housing Benefit Subsidy (Certification Assurance Work)	TBC	-	13,800

Note 1 – PSAA Ltd determined the Fee Variation on 22 October 2021.

Note 2 – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards, as we set out in our Audit Results Report. In addition, for 2020/21, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to the enhanced considerations and procedures required in respect of estimates under ISA540, as well as new risks outlined within our Audit Plan and Audit Results Report. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd.

We will report the respective final fees formally, once they have been determined by PSAA Ltd.

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

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