

West Suffolk Council Audit Progress report

Year ended 31 March 2022

28 March 2023



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Performance and Audit Scrutiny Committee
West Suffolk Council
West Suffolk House
Bury St Edmunds
Suffolk
IP33 3YU

Dear Performance and Audit Scrutiny Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of the report is to update you on our external audit of the Council's 2021/22 financial statement further to our Audit Progress Report prepared mid March 2023 and included in the Committee's papers for the 30 March 2023 Performance and Audit Scrutiny Committee.

Since the date of this initial progress report we have further progressed the 2021/22 audit which is now substantially complete, in the rest of this report we have provided detail as to the progress of the audit against the areas within the statement of accounts.

Our audits are undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

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

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

David Riglar

Partner

For and on behalf of Ernst & Young LLP

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

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the the Performance and 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 the Performance and 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 the Performance and 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.



01

Progress Update – Financial Statements of the Authority



Status of the 2021/22 audit

2021/22 financial statements

In our Initial Audit Planning Report we identified a number of key areas of focus for our audit of the financial statements. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure.

Status of the audit

Our audit work in respect of the Council opinion is progressing. At the time of preparing this report there remain a number of significant areas to be completed before we can conclude our opinion.

Details of the outstanding items, actions required to resolve and responsibility is set out below and in Appendix A

Given that the audit process is still ongoing, new audit findings could influence our final audit opinion, we have therefore not included a draft at this time.

Risk / area of focus	Risk identified	Progress to date
Management Override: Misstatement due to fraud or error	Fraud	<u>Audit procedures Substantially complete.</u> We have substantially completed our audit work in respect of journal entries, estimates and unusual transactions. We have completed inquiries with management, those charged with governance, monitoring officer, and internal audit to obtain an understand of risk and controls in place to mitigate those risks. We have reviewed the accounts for significant unusual transactions and identified no matters to report. We have substantially completed our journal testing procedures and have not identified any indication of management override. We have also substantially completed our work over estimates, noting no instances of bias in the preparation of estimates to date. We have not identified any indications of management overriding controls through our work to date.
Risk of inappropriate capitalisation of revenue expenditure	Fraud	<u>Audit procedures Substantially complete.</u> We have agreed total capital expenditure to the supporting general ledger balances and selected a sample from property, plant and equipment additions, investment property additions, and revenue expenditure funded from capital under statute revenue expenditure. We have substantially completed our testing of this sample of capital expenditure and are reviewing the final transactions to allow us to complete our testing.

Status of the 2021/22 audit

2021/22 financial statements

Risk / area of focus	Risk identified	Progress to date
Valuation of the Mildenhall Hub	Significant risk	<p><u>Audit Procedures Complete</u></p> <p>We have reviewed the information provided to the Council's Valuer as Management Expert, and undertaken procedures to ensure that we can rely on the Valuer as management's expert.</p> <p>We have engaged our own expert to review the valuation. Our expert has determined that the valuation of the Mildenhall hub falls within a reasonable range.</p>
Valuation of Council's solar farm asset	Significant risk	<p><u>Audit procedures Substantially complete.</u></p> <p>We have reviewed the information provided to the Council's Valuer as Management Expert, and undertaken procedures to ensure that we can rely on the Valuer as management's expert.</p> <p>We have engaged our own expert to review the valuation. This work is being concluded. There are no findings to report from audit procedures performed to date.</p>
Infrastructure Assets	Inherent	<p><u>Audit Procedures Complete</u></p> <p>CIPFA have issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets. In addition, DLUHC have issued a Statutory Instrument (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022). The SI allows for the infrastructure assets opening balance to be brought forward without amendment and determines the carrying amount to be derecognised in respect of replaced components to be nil.</p> <p>We have completed our considerations of the impact of this issue on the Council's statement of accounts. Our audit procedures have concluded that the Council has complied with the CIPFA Code and has not applied the statutory instrument concerning infrastructure assets.</p>
Property, Plant and Equipment - Valuation of Land and Buildings	Inherent	<p><u>Audit procedures Substantially complete.</u></p> <p>We have reconciled the valuation of Other Land & Buildings and Investment Property to the Council's fixed asset register and valuation reports provided by the Council's valuation specialist. We have carried out risk assessment procedures to select a sample of individual asset valuations to test. The risk assessment procedures consider the total asset valuation, and in year valuation movements in comparison to market indices and comparable assets.</p> <p>We are currently finalising this work and are reviewing the final responses to our audit queries concerning asset valuations.</p>

Status of the 2021/22 audit

2021/22 financial statements

Risk / area of focus	Risk identified	Progress to date
Group Account consolidation	Inherent	<p><u>Audit procedures in progress.</u></p> <p>We have completed group scoping procedures including an assessment of the group boundary. We have considered the materiality of Barley Homes Ltd. We have tested the consolidation procedures applied; and issued group instructions to the auditor of Barley Homes Ltd.</p> <p>We are awaiting responses to our group instructions from the auditors of Barley Homes Ltd and will be required to perform a review of their audit file.</p>
Pensions Liability Valuation	Inherent	<p><u>Audit procedures Substantially complete.</u></p> <p>We have assessed the work of Hymans Robertson including assumptions and methodologies applied. Our pension fund auditors have identified a difference between the estimated investment asset valuation used to calculate the Council's pension liability in the draft Statement of Accounts and final pension asset valuation. The Council's share of this difference is estimated to be £2.1 million and management will need to request an updated IAS19 report to assess the impact on the Council's pension liability.</p> <p>The results of the most recent triannual valuation which includes the position as at 31 March 2022. We are considering the impact of this valuation on the net pension liability as calculated using the previous tri-annual valuation (which is included in the draft Statement of Accounts). The Council is currently liaising with the actuary and pension fund to assess the extent of this difference.</p> <p>We engaged EY Pensions to create an auditor's estimate for the pension liability and are awaiting their conclusions.</p>

Status of the 2021/22 audit

Audit differences

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

Summary of unadjusted differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £0.12 million which were identified during the course of our audit and corrected by management:

- We have identified an audit difference where £2.3 million of debtors with Barley Homes Ltd have been incorrectly classified as long term. These debtors should be classified as short term debtors. This classification misstatement nets to nil, and as such there is no overall impact on the Council’s usable reserves.
- We have identified an over statement in the Capital adjustments account and Revaluation Reserve of £1.1 million due to incorrect calculation of the depreciation historic cost adjustment relating to the Bury St Edmunds Athletic Track. These overstatements net to nil and as such there is no overall impact on the Council’s total unusable reserves.

In addition, We have identified a number of disclosure adjustments that management will amend in the final version of the statement of accounts.



02

Progress Update - Value for Money





Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Performance and Audit Scrutiny Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a requirement under the 2020 Code is for us to include the commentary on arrangements in the Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

In our initial audit plan we reported to the committee that we had not completed our detailed VFM planning. We have substantially completed our detailed VFM planning and revisited our risk assessment at the execution stage of the audit and have not identified any additional risks.

















We are currently completing our understanding and narrative commentary on the Council's VFM arrangements.

Appendix A - Status of the audit

	Audit procedures completed		Audit procedures started but not completed
	Audit procedures substantially completed		Audit procedures not started

As at the date of this report our audit remains in progress. We have summarised below the status of our audit procedures to help inform the Committee of progress and findings to date.

Audit procedures completed

	Area of accounts and risks raised in our Audit planning report	Status	Findings
	Tick and tie and internal consistency check of accounts	Audit procedures completed	We have identified a number of disclosure adjustments that management will amend in the final version of the statement of accounts.
	Agreement of the General Ledger to the Statement of Accounts	Audit procedures completed	There are no findings to report from our audit procedures.
	Comparison of the Statement of Accounts to the CIPFA disclosure checklist	Audit procedures completed	There are no findings to report from our audit procedures.
	Balance Sheet - Borrowings (short term & long term)	Audit procedures completed	There are no findings to report from our audit procedures.
	Balance Sheet - Cash and Bank / Overdraft	Audit procedures completed	There are no findings to report from our audit procedures.
	Balance Sheet - Investments (Short term and long term)	Audit procedures completed	There are no findings to report from our audit procedures.
	Balance Sheet - Heritage Assets	Audit procedures completed	There are no findings to report from our audit procedures.
	CIES & Collection Fund - Precepts	Audit procedures completed	There are no findings to report from our audit procedures.
	Disclosures - Officers remuneration and exit packages including termination benefits	Audit procedures completed	There are no findings to report from our audit procedures.
	Disclosures - Expenditure and Funding Analysis	Audit procedures completed	There are no findings to report from our audit procedures.
	CIES - Finance & Investment - Interest and pensions costs	Audit procedures completed	There are no findings to report from our audit procedures.
	CIES - Taxation income (Ctax & NDR)	Audit procedures completed	There are no findings to report from our audit procedures.
	Collection Fund - Charges to collection fund and other disclosures	Audit procedures completed	There are no findings to report from our audit procedures.
	CIES - Employee Costs	Audit procedures completed	There are no findings to report from our audit procedures.
	Collection Fund - Income from Business rates and Council tax	Audit procedures completed	There are no findings to report from our audit procedures.
	Balance Sheet - Provisions including NDR Appeals Provision	Audit procedures completed	There are no findings to report from our audit procedures.

Appendix A - Status of the audit

- ✔ Audit procedures completed
 — Audit procedures started but not completed
- Audit procedures substantially completed
 ✗ Audit procedures not started

As at the date of this report our audit remains in progress. We have summarised below the status of our audit procedures to help inform the Committee of progress and findings to date.






Audit procedures completed

	Area of accounts and risks raised in our Audit planning report	Status	Findings
✔	Balance Sheet - Capital Grants Receipts in Advance	Audit procedures completed	There are no findings to report from our audit procedures.
✔	CIES - Expenditure	Audit procedures completed	There are no findings to report from our audit procedures.
✔	CIES - Income	Audit procedures completed	There are no findings to report from our audit procedures.
✔	Balance Sheet - Valuation of Mildenhall Hub. <i>Significant Risk:</i> Valuation of the Mildenhall Hub	Audit procedures completed	There are no findings to report from our audit procedures.
✔	Balance Sheet - Infrastructure Assets <i>Inherent Risk:</i> Infrastructure Assets	Audit procedures completed	There are no findings to report from our audit procedures.
✔	Reserves (Useable and Unusable)	Audit procedures completed	We have identified two misstatements regarding the posting of the depreciation historic cost adjustment. These misstatement impacts the Capital adjustment account and revaluation reserve overstating both by £3.7 million. These overstatements net to nil and as such there is no overall impact on the Council's total unusable reserves.

Appendix A (continued)

-  Audit procedures completed
  Audit procedures started but not completed
-  Audit procedures substantially completed
  Audit procedures not started

Audit Procedures Substantially Completed with only a few remining outstanding requests and audit work outstanding

Area of accounts and risks raised in our Audit planning report	Status	Findings
 Balance Sheet - Valuation of the solar farm. <i>Significant Risk:</i> Valuation of the Council's solar farm asset	Our audit procedures are substantially complete. Our internal valuer has undertaken a review of the solar valuation and is concluding their work.	There are no findings to report from our audit procedures performed to date.
 Balance Sheet - Pension Liability <i>Inherent Risk:</i> Pension Liability Valuation	Our audit procedures are substantially complete. EY pension experts are concluding their procedures on the year end liability estimate.	<p>There are no findings to report from our audit procedures performed to date.</p> <p>Our pension fund auditors have identified a difference between the estimated investment asset valuation used to calculate the Council's pension liability in the draft Statement of Accounts and final pension asset valuation. The Council's share of this difference is estimated to be £2.1 million and management will need to request an updated IAS19 report to assess the impact on the Council's pension liability.</p> <p>The results of the most recent triannual valuation which includes the position as at 31 March 2022. We are considering the impact of this valuation on the net pension liability as calculated using the previous tri-annual valuation (which is included in the draft Statement of Accounts). The Council is currently liaising with the actuary and pension fund to assess the extent of this difference.</p>
 Balance Sheet - Valuation of Other Land and Buildings <i>Inherent Risk:</i> Property, Plant and Equipment - Valuation of Land and Buildings	Our audit procedures are substantially complete and we are working through responses to audit queries.	There are no findings to report from our audit procedures performed to date.
 Balance Sheet - Capital Additions <i>Fraud Risk:</i> Inappropriate capitalisation of revenue expenditure	Our audit procedures are substantially complete and we are awaiting response to our audit query on 2 of capitalised items.	There are no findings to report from our audit procedures performed to date.
 Journals <i>Fraud Risks:</i> Misstatement due to fraud or error Inappropriate capitalisation of revenue expenditure	Our audit procedures are substantially complete and we are working through responses to audit queries.	There are no findings to report from our audit procedures performed to date.

Appendix A (continued)

-  Audit procedures completed
 Audit procedures substantially completed
 Audit procedures started but not completed
 Audit procedures not started

Audit Procedures Substantially Completed with only a few remining outstanding requests and audit work outstanding

Area of accounts and risks raised in our Audit planning report	Status	Findings
Balance Sheet - Creditors (Short & Long term)	Our audit procedures are substantially complete and we are working through responses to audit queries on 6 creditors.	There are no findings to report from our audit procedures performed to date.
Balance Sheet - Debtors (Short & Long term)	Our audit procedures are substantially complete and we are working through responses to audit queries relating to one debtor and the bad debt provision.	To date we have identified one audit difference where £2.3 million of debtors with Barley Homes Ltd have been incorrectly classified as long term. These debtors should be classified as short term debtors. This classification misstatement nets to nil, and as such there is no overall impact on bottom line of the balance sheet.
Balance Sheet and CIES - PPE other areas of testing (depreciation, assets not valued and disclosures)	Our audit procedures are substantially complete and we are working through responses to audit queries in regard to depreciation.	There are no findings to report from our audit procedures performed to date.
CIES - Taxation Income Non specific grant income	Our audit procedures are substantially complete and we are working through responses to audit queries.	There are no findings to report from our audit procedures performed to date.
CIES - Housing Benefit Expenditure	Our audit procedures are substantially complete and we are working through responses to audit queries.	There are no findings to report from our audit procedures performed to date.
Disclosures - other disclosure notes	Our audit procedures are substantially complete - follow-up queries raised with Council regarding financial instruments disclosures.	There are no findings to report from our audit procedures performed to date.
Disclosures – Related Parties	Our audit procedures are substantially complete and EY are completing our procedures on this are of the accounts.	There are no findings to report from our audit procedures performed to date.

Appendix A (continued)

- ✔ Audit procedures completed
 — Audit procedures started but not completed
- Audit procedures substantially completed
 ✗ Audit procedures not started


Audit Procedures started but outstanding requests and audit work not substantially completed

Area of accounts and risks raised in our Audit planning report	Status	Findings
— Group Accounts <i>Inherent Risk:</i> Group Account consolidation	Our audit procedures have commenced. We have completed procedures over the consolidation of financial information. We are awaiting responses to our group instructions from the auditors of Barley Homes Ltd and will be required to perform a review of their audit file.	There are no findings to report from our audit procedures performed to date.

Appendix A (continued)

-  Audit procedures completed
  Audit procedures started but not completed
  Audit procedures substantially completed
  Audit procedures not started

Audit Procedures not started

Area of accounts and risks raised in our Audit planning report	Status	Findings
 Closing procedures: <ul style="list-style-type: none"> ▶ Subsequent events review; ▶ Going Concern Assessment; ▶ Agreement of the final set of financial statements; ▶ Receipt of signed management representation letter; and ▶ Final Senior Manager and Partner reviews. 	<p>Closing procedures will be performed upon completion of audit work and receipt of final version of the Statement of Accounts</p> <p>Management will be required to update their going concern assessment for 12 months post anticipated opinion date.</p>	<p>Not applicable</p>