

West Suffolk Council

Audit results report

Year ended 31 March 2022

14 July 2023



Building a better
working world

14 July 2023



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

Dear Performance and Audit Scrutiny Committee Members

2021/22 Audit Results Report

We are pleased to attach our final Audit Results Report, providing an update to the Progress Report presented to the 30 March 2023 Performance and Audit Committee. We will update the Performance and Audit Scrutiny Committee at its meeting scheduled for 27 July 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on West Suffolk Council' accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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 the contents of this report with you at the Performance and Audit Scrutiny Committee meeting on 27 July 2023.

Yours faithfully

David Riglar

Partner

For and on behalf of Ernst & Young LLP

Encl

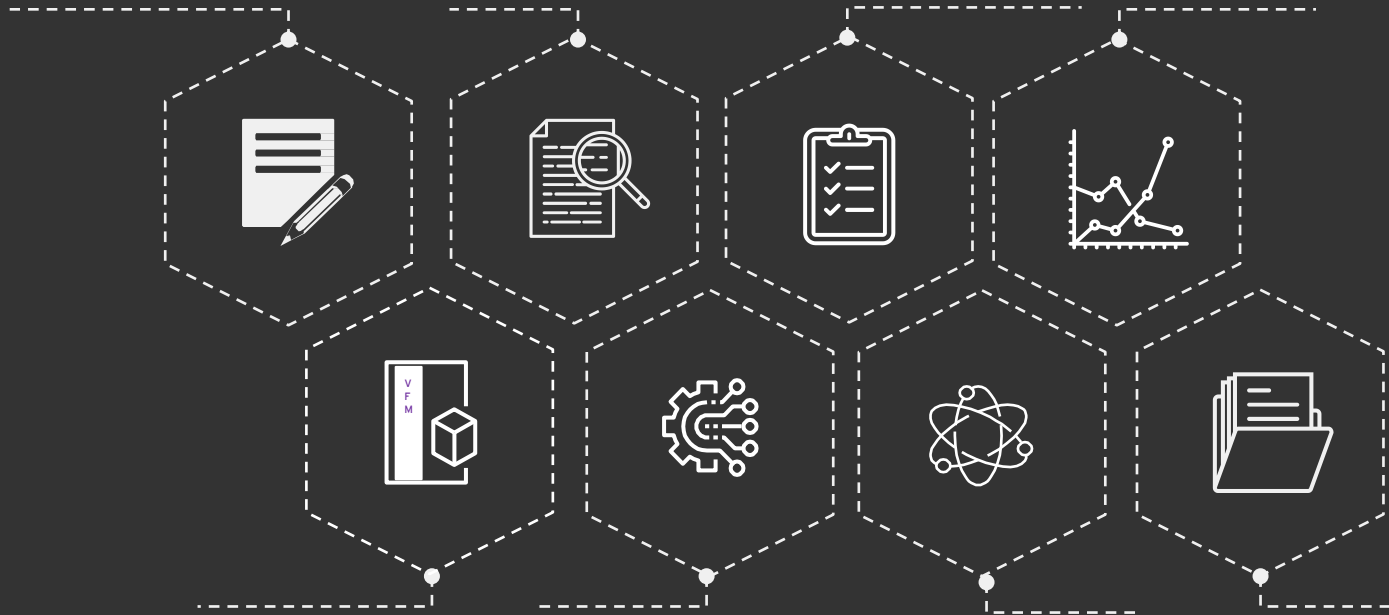
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 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 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 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 Executive Summary



Executive Summary

Scope update

In our Provisional Audit Plan, which was presented to the Performance and Audit Scrutiny Committee meeting on 29 September 2022, 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.

We have revisited our materiality calculation and confirmed that the level of £2.43 million set at planning stage remained appropriate.

We have not made any revisions to the audit risks and planned audit procedures set out within the Provisional Audit Plan.

Status of the audit

Our audit work in respect of the Council's opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

Closing procedures

- ▶ Going concern assessment and disclosures;
- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipts of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix C.

Subject to satisfactory completion of the outstanding items above, we do not expect to modify our opinion. However, until our audit work is complete, further differences may arise.

Status of the 2021/22 audit

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of West Suffolk Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" Section 02 of this report.

Below we have summarised the conclusions of our work on the areas of audit focus and where this has changed from the position reported in our Provisional Audit Results Report

Risk / area of focus	Risk identified	Progress to date
Management Override: Misstatement due to fraud or error	Fraud	We have not identified any evidence that Management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements from the work completed to date.
Risk of inappropriate capitalisation of revenue expenditure	Fraud	We completed our work on the testing of capital additions made to property, plant and equipment during the year and have not identified any evidence of manipulation through inappropriate capitalisation.
Valuation of the Mildenhall Hub	Significant risk	<p>We have completed our audit work in this area. Our internal expert concluded that overall the valuation of the Mildenhall Hub fell within a reasonable range, but a number of individual assumptions within the valuation were not supportable and the 3G sports pitch had not been valued resulting in an increase in the value of the Mildenhall Hub of £0.96 million which will be amended by Management. See Section 04 of this report for further details.</p> <p>We also identified that at the time of writing this report a number of the leases relating to the Mildenhall Hub remain unsigned, see Section 06 of this report for further details.</p>
Valuation of Council's solar farm asset	Significant risk	We have completed our audit work in this area. Our internal expert identified a number of assumptions which required updating within the valuation model which resulted in an increase in the value of the solar farm of £4.99 million which will be amended by management. See Section 04 of this report for further details.
Infrastructure Assets	Inherent	We have completed our audit work in this area and have no matters to report.
Property, Plant and Equipment - Valuation of Land and Buildings	Inherent	We have completed our audit work in this area and have no matters to report.

Status of the 2021/22 audit

Areas of audit focus (continued)

Risk / area of focus	Risk identified	Progress to date
Group Account consolidation	Inherent	We have completed our audit work in this area and have no matters to report.
Pensions Liability Valuation	Inherent	We have completed our audit work in this area. The Council obtained an updated IAS19 report in March 2023 following release of the March 2022 triennial valuation and have amended the statements to reflect an increase in pension liability of £4.28 million. See Section 04 of this report for further details.

Executive Summary

Auditor responsibilities under the Code of Audit Practice 2020

Under the Code of Audit Practice 2020, 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. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **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.

Status of the audit - Value for Money

In our Provisional Audit Plan, we reported that we had not completed our detailed Value for Money (VFM) planning.

We have now completed our VFM risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report by the end of September 2023.

Executive Summary

Audit differences

We have identified a number of audit difference to bring to your attention summarised below. We expect management to adjusted for these audit differences. Further details on these differences can be found in Section 04 of this report.

Adjusted audit differences:

1. Unusable reserves

The Council identified a duplicate posting of depreciation historic cost adjustments of £2.65 million to unusable reserves. The draft accounts were amended before the audit commenced

2. Unusable Reserves

We identified an over statement in the Capital adjustments account and Revaluation Reserve of £1.13 million due to incorrect calculation of the depreciation historic cost adjustment relating to the Bury St Edmunds Athletic Track.

3. Debtors

We 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.

4. Solar Farm Valuation

We found that the valuation of the Council's Solar farm was understated by £4.99 million as a number of key assumptions had not been correctly updated for at the balance sheet date of 31 March 2022.

5. Mildenhall Hub valuation

Our work on the valuation of the Mildenhall Hub identified that the valuation in the draft financial statements did not include a valuation for the 3G sports pitch located on the site. The 3G pitch was subsequently valued by the Council's experts at £0.96 million.

6. Pension liability IAS19

The pension liability and related disclosures in the draft statement of accounts were based on an IAS19 report which included estimates for level 3 investments and on the March 2019 triannual valuation. The Council obtained an updated IAS19 report in March 2023 following release of the actual year end valuation of level 3 investments and the March 2022 triannual valuation. This has resulted in an increase in the net pension liability reported in the draft Statement of Accounts of £4.28 million.

Unadjusted audit differences:

We have not identified any unadjusted misstatements from the work.

Disclosure adjustments:

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

Executive Summary

Control observations

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 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.

During the audit, we did not identify any significant deficiencies in internal control. We have however identified observations and improvement recommendations concerning Management's financial processes and controls. We have identified that a number of the leases relating to the Mildenhall Hub asset with 3rd parties were unsigned at the 31 March 2022 and remain unsigned as at the date of this report. Further details of this observation can also be found in Section 06 of this report.

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 to date.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The Council falls below the threshold (Threshold - £2 billion) for full procedures, so we will be able to submit an assurance statement verifying this position. We do not expect therefore to have any issues to report.

Objection

We have not received any objections to the 2021/22 accounts from members of the public.

Independence

We have no matters relating to our Independence to bring to your attention. Please refer to Section 07 for our update on Independence.



02

Areas of Audit Focus

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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

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

What did we do?

In response to this risk, we:

- ▶ Identified fraud risks during the planning stages, which reflect the significant fraud risk recognised in this report (the risk of inappropriate capitalisation of expenditure).
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks documented on this file.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ Testing journal entries at year-end to ensure there are no unexpected or unusual postings.
 - ▶ Undertaking a detailed review of accounting estimates for evidence of bias (such as the valuation of land and buildings and pension liability balances); and
 - ▶ substantively any tested unusual or unexpected transactions.

What are our conclusions?

As reported in our Provisional Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. The identified area was the inappropriate classification of revenue spend as capital expenditure. The result of our work on this specific risk is set out on the following page.

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.

Audit risks

Our response to significant risks (continued)

Fraud Risk:

Inappropriate capitalisation of revenue expenditure

What is the risk?

We have considered the key areas where management has material opportunity and incentive to override controls. We have identified the main areas as being;

- Inappropriate classification of revenue spend as capital expenditure.

This would improve the financial position of the general fund as capitalised revenue expenditure can be funded through borrowing with only minimal charges recorded in the general fund, deferring the expenditure for a number of years until the borrowing is repaid.

What did we do?

In response to this risk, we undertook the following procedures:

- For significant capital additions, we examined invoices, capital expenditure authorisations, leases and other data that support these additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- We extended our testing of items capitalised in the year by lowering our testing threshold. We also reviewed a larger random sample of capital additions below our testing threshold.
- We used our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

What are our conclusions?

We have not identified any additions that were capitalised which did not meet the statutory definition of capital.

Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.

Audit risks

Our response to significant risks (continued)

Significant Risk:

Valuation of the Council's solar farm asset

What is the risk?

The fair value of the Solar Farm represent significant balances in the Council's accounts and are estimates which 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.

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 2022, the value of the solar farm totalled £14.98 million.

The current volatility in the energy market which is resulting in significantly higher energy costs will have an impact on the power price forecasting this being one of the key judgements used in the valuation of the solar farm. The impact of this judgement will potentially be material and it is therefore important that the most appropriate and relevant power price forecast is used in the solar farms valuation.

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?

In response to this risk, we:

- ▶ 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 internal valuation specialist 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 tested the accounting entries and disclosures made within the Council's financial statements in relation to Solar Farm asset.

What are our conclusions?

From our review of the solar farm valuation, our internal valuation specialist identified that a number of assumptions within the valuation model did not correctly reflect the position as at the balance sheet date of 31 March 2022:

- a. Power price forecast. The power price forecast from Managements expert, Cornwall Insight, was as at the 31 December 2021 (Q4 2021) rather than at the balance sheet date of 31 March 2022. The first quarter of 2022 saw significant changes in the cost of power due to global impacts such as the Russian/Ukraine conflict which resulted in the cost of power increasing significantly in this quarter.
- b. RPI. The Council's valuation model has RPI set at 2.75% due to changes in the global markets RPI for 2022, 2023 and 2024 was significantly higher at 7.84, 11.88 and 4.66 respectively.
- c. Corporate tax rate. The Council's valuation model included a corporate tax rate of 19%. Based on corporate tax announcements made in the Spring 2021 budget, the tax rate moved to 25%.

Management provided an updated solar farm valuation amending for these findings which resulted in an updated valuation of £19.9 million which fell within a reasonable valuation range as determined by or internal experts of £19.3 million to £21.3 million. Further details of this adjustment can be found in Section 4 of this report.

Our response to significant risks (continued)

Significant Risk:

Valuation of the Mildenhall Hub

What is the risk?

The valuation of land and buildings represent significant balances in the Councils accounts and are subject to valuation changes, impairment reviews and depreciation charges.

During the 2021/22 financial year the Council's Mildenhall Hub asset became operational. This asset is material to the Council with a 31 March 22 valuation of £25.42 million held in the Council's balance sheet. The valuation of this asset is complex due to the different valuation methodologies employed on different parts of the asset (existing use value and depreciated replacement cost) and that ownership of part of the asset has been transferred to other bodies. Ensuring that the correct elements of the asset owned by the Council is valued under the correct methodology and that the underlying information used to value the different elements is correct increases the risk of material misstatement.

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?

In response to this risk, we:

- ▶ Reviewed the information provided to the Council's Valuer as Management Expert (Wilkes Head and Eve);
- ▶ Undertook procedures to ensure that we can rely on the Valuer as management's expert;
- ▶ Employed our internal valuation specialist as our expert to review the assumptions and conclusions of Wilkes Head and Eve and the Council in relation to the valuation of the Mildenhall Hub at the balance sheet date; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to the Mildenhall Hub.

What are our conclusions?

From review of the Mildenhall Hub valuation, our internal valuation specialist identified that a number of the assumptions applied were not supportable:

- a. The Mildenhall Hub asset includes a 3G sports pitch which had not been included in managements valuation. Management subsequently provided a valuation for the pitch resulting in an increase in the assets value of £0.96 million. Further details of this adjustment can be found in Section 4 of this report.
- b. Land values applied to the assets valuation were found to be higher than expected based on other comparative land sales.
- c. The reversionary yield applied to the valuation were found to be higher than expected based on market research and particulars of the various leases on elements of the asset.
- d. Voids and hold overs had not been allowed for in the valuation which is typically included in a valuation of this type.
- e. Purchaser costs had not been deducted for which is standard market practice for existing use valuations.

Whilst these individual assumptions were not in line with our internal valuers expectations, overall the valuation of the Mildenhall Hub at £25.42 million fell within a reasonable valuation range as determined by or internal experts of £22.41 million to £27.31 million.

Our work identified that a number of leases remain un-signed in July 2023. We note that for some of these signed Tenancy at Will's are in place. Further details of this observation can also be found in Section 6 of this report.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Infrastructure Assets

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. It has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulated depreciation are therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

West Suffolk Council has material infrastructure assets of £4.36 million held on its balance sheet at 31 March 2022. Therefore the impact on the Council is potentially material.

CIPFA are considering a potential Code amendment, but it is not yet clear when this will be issued. We will need to assess whether the Council's accounting treatment of infrastructure assets complies with current Code requirements any updated guidance or Code amendments issued by CIPFA, depending on the timing of this. This issue may therefore lead to significant additional work being required to determine the impact on the Council's accounts.

What did we do and what is our conclusion?

This matter was considered by CIPFA and the Department for Levelling Up, Housing and Communities (DLUHC). Following this review:

- ▶ CIPFA issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets; and
- ▶ DLUHC issued a Statutory Instrument (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022). The SI relates to a financial year beginning on or before 1st April 2024 and in respect of which a certificate has not been entered under section 20(2)(a) of that Act. 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.

We:

- ▶ Reviewed the Councils assessment of the issue and the impact on the Council for the current year and prior years;
- ▶ Tested the Council's impact assessment which included estimates concerning the level of capital spend and level of replaced assets; and
- ▶ Reviewed any additional disclosures to ensure that these adequately reflect the impact on the financial statements.

We did not identify any instances where Infrastructure Assets had been incorrectly accounted for by the Council.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Property, Plant and Equipment - Valuation of Land and Buildings

The valuation of land and buildings represent significant balances in the Councils 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 and what is our conclusion?

In response to this risk, we:

- ▶ Considered the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Performed testing of key assumptions and methodologies on a sample of assets and considered the reasonableness of the estimation techniques employed;
- ▶ Sample tested key asset information used by the valuer in performing their valuation, and agreeing this to what has been recorded in the fixed asset register and general ledger;
- ▶ Considered if there are 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 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Tested accounting entries have been correctly processed in the financial statements; and
- ▶ Reviewed the disclosures to ensure this is adequate in relation to estimation uncertainty.

Our conclusions are:

- ▶ We did not identify any issues from our review of the work performed by the valuer over the Council's assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Our sample testing of key assumptions and methodologies did not identify any material issues concerning the reasonableness of the estimation techniques employed.
- ▶ We did not identify any specific changes to assets that had occurred that required communication to the valuer.
- ▶ We did not identify any issues in relation to the useful economic lives as a result of the most recent valuation.
- ▶ All assets had been appropriately revalued within the Council's 5 year rolling programme.
- ▶ Testing of accounting entries confirmed they had been correctly processed in the financial statements.

Other areas of audit focus (continued)

What is the risk/area of focus?

Pensions 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.

At 31 March 2022, this totalled £58.9 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

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.

What did we do and what is our conclusion?

In response to this risk, we:

- ▶ Liaised with the auditors of Suffolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to West Suffolk Council;
- ▶ Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC, commissioned by the National Audit Office for all local government sector auditors, and considered the review of this undertaken by the EY actuarial team;
- ▶ Used our internal EY pensions team to calculate an estimate of the Council's pension liability by running their own 'actuarial model' and comparing this to that produced by the Council's actuary; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Our conclusions are:

- ▶ We have received the assurance from the Suffolk Pension Fund auditors in regard to the information supplied to the actuary, and confirmed there are no findings impacting on the Council's accounts. The Pension Fund auditor reported a difference in asset values between the original estimate included in the IAS19 report and the actual year end values. As the Council obtained an updated IAS19 report and amended the accounts to reflect the updated asset values no further audit procedures or adjustments to the Statement of Accounts are required.
- ▶ We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have followed up on relevant points and have not identified any issues.
- ▶ Our procedures to determine our own estimate for the Council's pension liability found that the liability calculated by the actuary fell within our reasonable range.
- ▶ We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.

The pension liability and related disclosures in the draft statement of accounts were based on an IAS19 report which included estimates for level 3 investments and was based on a roll forward approach from the triennial valuation 2019. The Council obtained an updated IAS19 report in March 2023 following release of the actual year end valuation of level 3 investments and the March 2022 triennial valuation. This has resulted in an amendment to the draft Statement of Accounts increasing the pension liability by £4.28 million. Further details can be found in Section 04 of this report.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Group Account consolidation

This is the second year of preparing group accounts, consolidating Barley Home Ltd. As at the time of writing this report management have not yet employed an auditor of Barley Homes Ltd which includes a number of material balance for the group in 2021/22. There is therefore the risk that the balances consolidated into the group accounts maybe materially misstated.

What did we do and what is our conclusion?

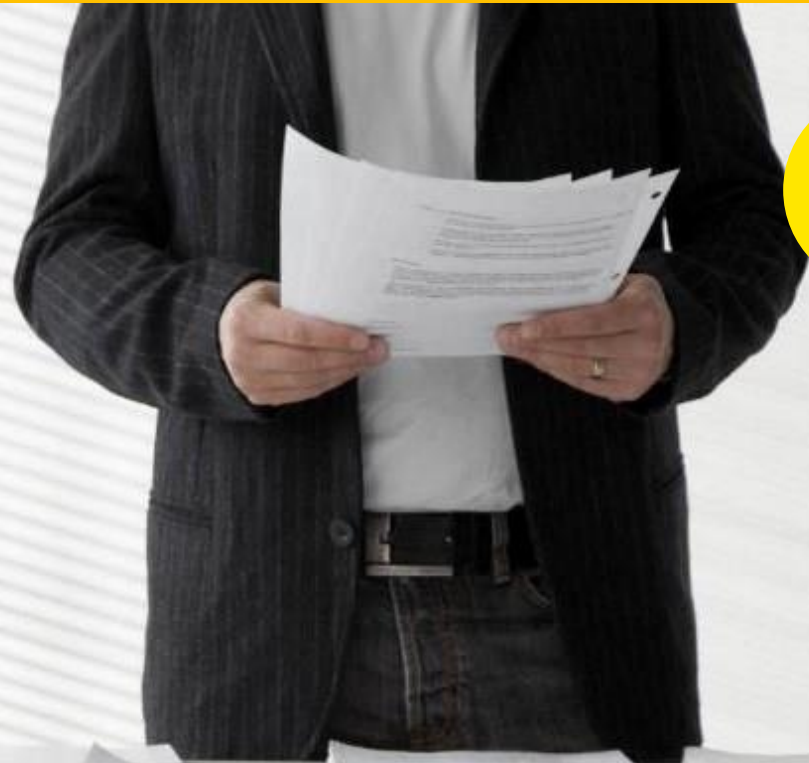
In response to this risk, we:

- ▶ Review the group assessment prepared by the Council, ensuring that the accounting framework and accounting policies are aligned to the Council group;
- ▶ Scope the audit requirements for each component based on their significance to the group accounts;
- ▶ Test the consolidation procedures applied; and Check compliance with the Code of Audit Practice in respect of the group accounts and associated disclosures;
- ▶ Prepare group instructions for the auditor of Barely Homes Ltd; and
- ▶ Review work undertaken by the auditor of Barely Homes Ltd and determine whether we can place reliance on this work to obtain assurances over the balances consolidated into the group accounts.

Our conclusions are:

We did not identify any misstatements regarding the consolidation of Barley Homes Ltd.

We did encounter some delays in obtaining the required assurances and reporting from the component auditor as Management had not fully scoped the need for group reporting to us within the subsidiary auditor's terms of engagement.



03 Audit Report

DRAFT



Draft audit report

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 (the Authority) and its subsidiaries (the Group) for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Authority and Group Comprehensive Income and Expenditure Statement; Authority and Group Balance Sheet; Authority and Group Movement in Reserves Statement, Authority and Group Cash Flow Statement; the related notes 1 to 39 to the Authority Accounts and the related notes G1 to G3 to the Group Accounts; Collection Fund and the related notes CF1 to CF3.

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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of West Suffolk Council and the Group as at 31 March 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the

Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer (S151 Officer)' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority and Group's ability to continue as a going concern for a period of more than 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer (S151 Officer) with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority and Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts for the Year 2021/22, other than the financial statements and our auditor's report thereon. The Chief Financial Officer (S151 Officer) is responsible for the other information contained within the Statement of Accounts for the Year 2021/22.



Our opinion on the financial statements

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we are not satisfied that the Group and the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer (S151 Officer)

As explained more fully in the Statement of the Chief Financial Officer (S151 Officer) Responsibilities set out on page xx, the Chief Financial Officer (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the Group/Authority financial statements and the firefighters pension fund 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer (S151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer (S151 Officer) is responsible for assessing the Authority and Group 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 and Group either intends to cease operations, or has no realistic alternative but to do so.

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



Our opinion on the financial statements

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Authority and determined that the most significant are:

- ▶ Local Government Act 1972,
- ▶ Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- ▶ Education Act 2002 and School Standards and Framework Act 1998 (England),

- ▶ Local Government Act 2003,
- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- ▶ National Health Service Act 2006,
- ▶ Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- ▶ Business Rate Supplements Act 2009,
- ▶ The Local Government Finance Act 2012,
- ▶ The Local Audit and Accountability Act 2014 (as amended), and
- ▶ The Accounts and Audit Regulations 2015.
- ▶ Companies Act 2006 (Amended),
- ▶ The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008-410) (as amended)

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

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



Our opinion on the financial statements

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

To address our fraud risk around management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure has been incurred.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether West Suffolk Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2022.

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

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

Delay in certification of completion of the audit

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

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.



Audit Report

DRAFT

Our opinion on the financial statements

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 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Authority and the Group and Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



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. Until our audit work is complete, further differences may arise.

Summary of Adjusted Audit Differences

We highlight the following misstatement which we expect management to correct for that were identified during the course of our audit:

1. Unusable reserves

The Council identified a duplicate posting of depreciation historic cost adjustments of £2.65 million to unusable reserves. The draft accounts were amended before the audit commenced. To correct for this audit adjustment the Council has posted the following adjustment to the draft financial statements:

Dr Useable Reserves - Revaluation Reserve £2,65 million

Cr Useable Reserves - Capital Adjustments account £2,65 million

2. Unusable Reserves

We identified an over statement in the Capital adjustments account and Revaluation Reserve of £1.13 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.

Dr Useable Reserves - Revaluation Reserve £1.32 million

Cr Useable Reserves - Capital Adjustments account £1.32 million

3. Debtors

We 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.

Dr Balance Sheet - Short term debtors £2.30 million

Cr Balance Sheet - Long term debtors £2.30 million

4. Solar Farm Valuation

We found that the valuation of the Council's Solar farm was understated by £4.99 million as a number of key assumptions had not been correctly updated for at the balance sheet date of 31 March 2022. The most significant of these assumptions was the power price forecast on which the valuation is based. The solar farm valuation included within the draft financial statements was based on a power price forecast dated 31 December 2021. Due to the impact of the Russian/Ukraine conflict and other global economic factors markets showed a significant fluctuation in the price of energy and as such there were significant increase in the power price forecast when re-run at 31 March 2022. To correct for this audit adjustment the Council has posted the following adjustment to the draft financial statements:

Dr Balance Sheet - Property Plant and Equipment £4.99 million

Cr Comprehensive Income Statement - Surplus/Deficit on revaluation of property plant and equipment £4.99 million



Audit Differences (continued)

Summary of Adjusted Audit Differences

5. Mildenhall Hub valuation

Our work on the valuation of the Mildenhall Hub identified that the valuation in the draft financial statements did not include a valuation for the 3G sports pitch located on the site. The 3G pitch was subsequently valued by the Council's experts at £0.96 million. To correct for this audit adjustment the Council has posted the following adjustment to the draft financial statements:

- ▶ Debit: Balance Sheet - Property Plant and Equipment - £0.96 million
- ▶ Credit: Comprehensive Income Statement - Surplus/Deficit on revaluation of property plant and equipment - £0.96 million

6. Pension liability IAS19

The pension liability and related disclosures in the draft statement of accounts were based on an IAS19 report which included estimates for level 3 investments and on the March 2019 triannual valuation. The Council obtained an updated IAS19 report in March 2023 following release of the actual year end valuation of level 3 investments and the March 2022 triannual valuation. This has resulted in an increase in the net pension liability reported in the draft Statement of Accounts of £4.28 million. To correct for this audit adjustment the Council has posted the following adjustment to the draft financial statements:

- ▶ Debit: Comprehensive Income Statement - Remeasurement of net defined benefit liability - £4.28 million
- ▶ Credit: Balance Sheet - Liability related to defined benefit pension scheme - £4.28 million

In addition to the above, we identified a small number of disclosure adjustments that Management will amend in the final version of the statement of accounts, including material adjustments made to Note 18 - Financial instruments. There are no other disclosure adjustments which require bringing to the Committee's attention.

Summary of Unadjusted Audit Differences

We have not identified any unadjusted audit differences in the draft financial statements.



05

Value for Money



Value for money

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

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

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

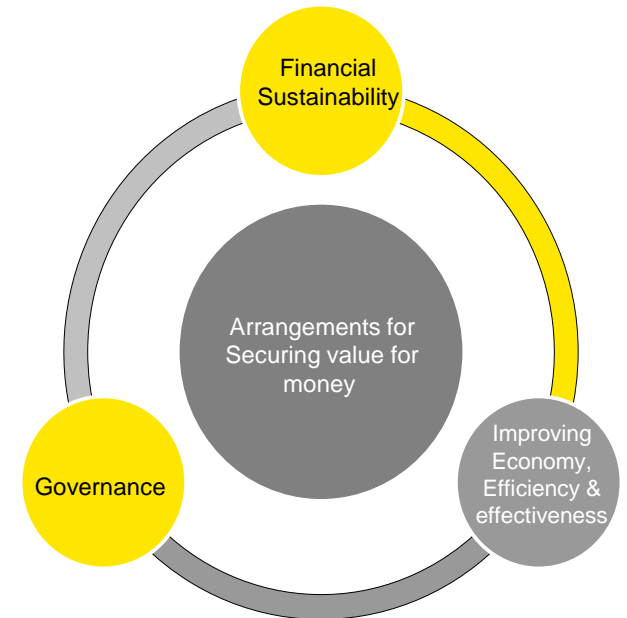
Risk assessment

We have completed our planning and risk assessment procedures including discussions with management and review of key minutes and documents and have not identified any significant weaknesses in the Council's arrangements.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception'.

We will include our detailed VFM commentary in the Auditor's Annual Report by the end of September 2023.





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 2021/22 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.

We have reviewed the Annual Governance Statements and confirm they are consistent with other information from our audit of the financial statements.

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 on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the Council falls below the £2 billion threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We are able to submit the require Assurance Statement to the NAO confirming this.

Other reporting issues

Other reporting issues

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 Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

Other matters

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

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

We have no matters to report.

Control Observations

Description	Recommendation
<p>As part of our audit testing of the Mildenhall Hub asset, we have identified that a number of the leases with 3rd parties were unsigned at the 31 March 2022 and remained unsigned in July 2023. Based on our testing of the 10 leases that form part of the Mildenhall Hub asset, 8 remained unsigned at the 31 March 2022 and in July 2023. Of these 8 unsigned leases the Council does have signed Tenancy at Will agreements for 5 of the bodies, leaving 3 with no legal agreement for the 3rd parties to occupy space within the Mildenhall Hub.</p>	<p>We recommend that going forward, the Council obtains signed lease contracts at the inception of the lease, and obtains signed leases with those 3rd party bodies that remain outstanding at the time of this report.</p> <p>Management respond:</p> <p>There is an active project to overseeing the outstanding Mildenhall hub leases with the Director of Resources and Property taking over as the lead for the project, reporting monthly into leadership team.</p> <p>5 of the leases are at the final stages of drafting between lawyers and are expected to be completed within the coming weeks/months.</p> <p>This was a multi-agency project for which the Council agreed to take on the landlord role, even though it was not the sole partner/funder. This is relevant as the 3 partners without the 'legal agreements' are funding partners, they have paid capital contributions towards the project and were part of the developer agreement with the Council - so the risk is considered to be low from the Council's perspective (service charges for example have been paid).</p>



07

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1st April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the feed due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

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 have been submitted. We confirm that we have not undertaken any non-audit work, other than Housing Benefit Certification assurance work.

EY Transparency Report 2021

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 2022:

[EY UK 2022 Transparency Report | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	55,050	55,050	50,050
Changes in work required to address additional professional and regulatory requirements and changes in scope associated with risk (Note 1)	TBC	TBC	47,734
Total Fees	TBC	TBC	97,784

All fees exclude VAT

Note 1:

The 2020/21 Code work included a proposed additional fee of £44,299. This relates to proposed uplifts to the base scale fee due to increased regulatory requirements, as communicated during our 2019/20 audit, as well as additional work in respect of risks identified and outlined in the 2020/21 Audit Plan and Audit Results Report, new NAO Code of Audit Practice and ISA requirements including VFM and accounting estimates. PSAA Ltd have determined, with agreement from the Council, a final additional fee for 2020/21 of £18,600.

For 2021/22, the scale fee will again be impacted by the increased regulatory requirements as well as a range of other factors which will result in additional work, including some of those that were present in the prior year.

As detailed in this Audit Plan, the following areas will require additional procedures to respond to the risks identified which are not part of the PSAA scale fee:

- Significant risk: Valuation of the Solar Farms and Mildenhall Hub
- Inherent risks: Property, Plant and Equipment – Valuation of Land and Buildings
- Inherent risk: Pensions liability – IAS19
- Inherent risk: Infrastructure assets
- Inherent risk: Group Accounts Consolidation

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

08 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:





- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There were no significant changes to our audit approach apart from our decision to distinguish between the different land and building valuation methods when identifying our significant and inherent risks in this area. We also deemed it appropriate to remove our risk around the accounting treatment of Covid-19 grants in the current year.




Appendix B

Required communications with the Performance and Audit Scrutiny Committee





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

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit 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.	Provisional Audit Plan - August 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Provisional Audit Plan - August 2022
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 Progress Report - March 2023 Audit Results Report - July 2023 Annual Auditors Report - September 2023




Appendix B

		 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 related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit Results Report - July 2023
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	<p>Audit Progress Report - March 2023</p> <p>Audit Results Report - July 2023</p>
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - July 2023
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <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 Audit, Standards and Statutory Accounts Committee responsibility. 	Audit Results Report - July 2023

Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <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 <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Provisional Audit Plan - August 2022</p> <p>Audit Results Report - July 2023</p> <p>Annual Auditors Report - September 2023</p>
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. 	Audit Results Report - July 2023
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 audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report - July 2023




Appendix B

		Our Reporting to you
Required communications	 What is reported?	  When and where
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 - July 2023 Annual Auditors Report - September 2023
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Provisional Audit Plan - August 2022 Audit Results Report - July 2023
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - July 2023
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 - July 2023
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2023

Appendix C

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 
Going concern	Update going concern review and assessment for anticipated opinion date	EY
Closing procedures: <ul style="list-style-type: none">▶ Subsequent events review;▶ Agreement of the final set of financial statements;▶ Receipt of signed management representation letter; and▶ Final Manager and Partner reviews.	Closing procedures to be performed upon completion of audit work and receipt of final version of the Statement of Accounts	EY

Management representation letter - draft

This is the draft letter of management representation. This could be subject to change following the completion of the final audit procedures

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of West Suffolk Council ("the Group and Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of West Suffolk Council as of 31 March 2022 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related

data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom

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2021/22 for the Group and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflicts and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

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

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

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

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

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

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

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

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C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

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

3. We have made available to you all minutes of the meetings of the Group and Council committees including the Council, Executive, Strategic Overview & Scrutiny and Performance and Audit Scrutiny 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: [list date].

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

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that

is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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

7. From the date of our last management representation letter on 18 May 2022 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 43 to the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Going Concern

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

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plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than..... described in Note 6 to the consolidated and Council financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Group audits

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

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Accounts for the year 2021/22.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Ownership of Assets

1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note 19 to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and Council financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J. Reserves

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

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and Council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and Council financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from

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regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

(1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and Council financial statements or as a basis for recording a loss contingency.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment properties, IAS 19 pension liabilities and Non Domestic Rate (NDR) Appeal Provisions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Valuation of Land and Buildings Estimate

1. We confirm that the significant judgments made in making the valuation of land and buildings, estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land and buildings.
3. We confirm that the significant assumptions used in making the valuation of land and buildings estimate appropriately reflect our intent and ability to provide an accurate valuation of the Group.

and Council's land and buildings on behalf of the entity.

4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land and buildings and investment properties estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

IAS 19 Pensions Liability Estimate

1. We confirm that the significant judgments made in making the IAS 19 pensions liability estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 pensions liability estimate.
3. We confirm that the significant assumptions used in making the IAS 19 pensions liability estimate appropriately reflect our intent and ability to provide an accurate valuation of the Group and Council's pensions liability on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 Pensions Liability estimate.

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6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Chief Financial Officer)

(Chairman of Performance and Audit Scrutiny Committee)

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ED None

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