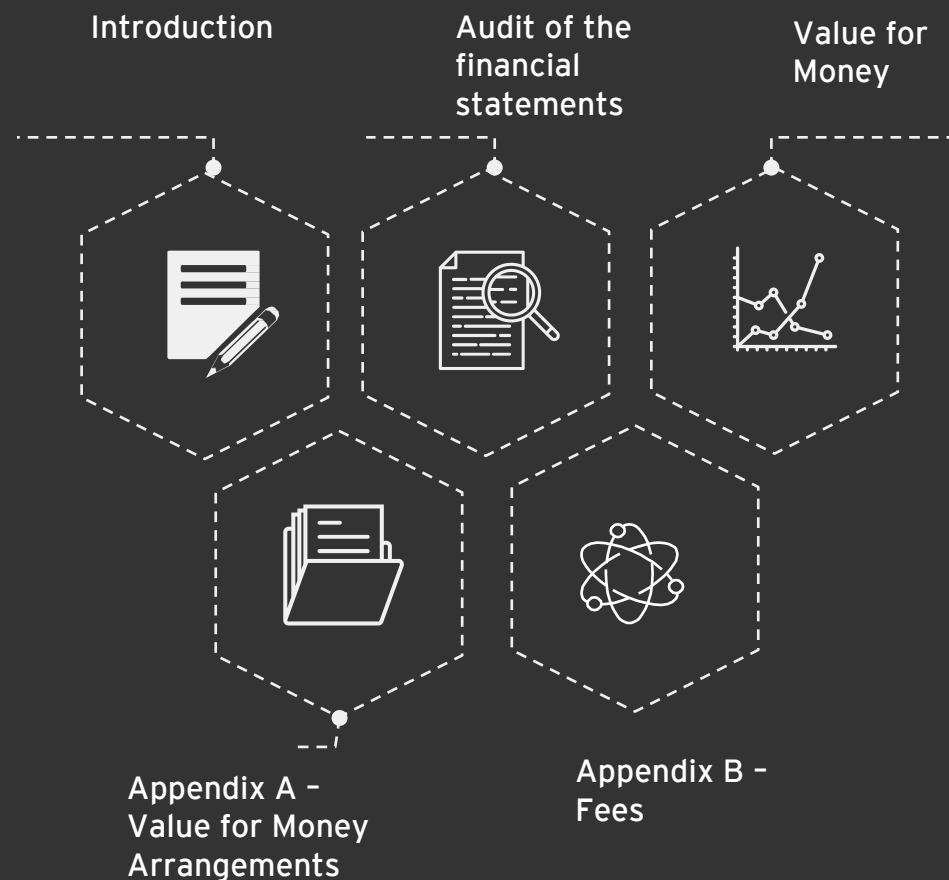


West Suffolk Council Auditor's Annual Report

Year ended 31 March 2022

Contents



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

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

This report is made solely to the Council 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 Council 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 Council 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.



Introduction

Purpose

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

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan we issued in August 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements of the Council;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

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

Responsibilities of the Council and Pension Fund

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



Introduction (continued)

2021/22 Conclusions - West Suffolk Council

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's reports on 28 July 2023.
Going concern	We have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the Council financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited Council accounts.
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Appendix A.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the NAO. We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts and submitted the Assurance Statement to the NAO on the 14 September 2023. However, until the NAO has confirmed whether they have selected West Suffolk Council as one of the additional sampled components for additional audit procedures we are not able to fully conclude this work.
Certificate	We are not able to issue our certificate until the NAO have confirmed whether we are required to undertake any additional work on the WGA return as noted above.

Audit of the financial statements – West Suffolk Council

Key findings

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

On 28 July 2023, we issued an unqualified opinion on the financial statements for the Council. We reported our detailed findings to the Performance and Audit Scrutiny Committee on the 27 July 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>Our testing of journals did not identify adjustments outside of the normal course of business. All journals tested had appropriate rationale.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>
<p>Inappropriate capitalisation of revenue expenditure</p> <p>We have considered the key areas where management has material opportunity and incentive to override controls. We have identified the main areas as being;</p> <p>Inappropriate classification of revenue spend as capital expenditure.</p> <p>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.</p>	<p>We did not identify any additions that were capitalised which did not meet the statutory definition of capital.</p> <p>Our testing of year end journals did not identify any movements from revenue expenditure to capital outside of the normal course of business.</p>

Audit of the financial statements – West Suffolk Council

Significant risk	Conclusion
<p>Valuation of the Council's solar farm asset</p> <p>The fair value of the Solar Farm is a significant balance in the Council's accounts and includes estimation subject to valuation changes, impairment reviews and depreciation charges. Management will engaged valuation experts, make significant judgements and apply estimation techniques to calculate the year-end valuation.</p> <p>At 31 March 2022, the value of the solar farm totalled £14.98 million.</p> <p>The current volatility in the energy market which is resulting in significantly higher energy costs will have an impact on the power price forecasting that is 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.</p> <p>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.</p>	<p>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 in relation to: the power price forecast used which was as at the 31 December 2021 (Q4 2021) rather than at the balance sheet date of 31 March 2022; RPI; and the Corporate tax rate.</p> <p>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.</p>

Audit of the financial statements – West Suffolk Council

Significant risk	Conclusion
<p>Valuation of the Mildenhall Hub</p> <p>The valuation of land and buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>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.</p> <p>Management will engage valuation experts, make significant judgements and apply estimation techniques to calculate the year-end valuation.</p> <p>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.</p>	<p>From review of the Mildenhall Hub valuation, our internal valuation specialist identified that a number of the assumptions applied were not supportable in relation to: the 3G sports pitch on site; Land values; the reversionary yields on leased assets; and purchaser costs.</p> <p>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 our internal experts.</p> <p>Our work identified that a number of leases remain un-signed in July 2023.</p>

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

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

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

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Council which was based on a combination of our cumulative audit knowledge and experience, our review of Council reports, meetings with officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our detailed commentary for 2021/22 is set out in Appendix A. The commentary in Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

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

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

Appendices

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.	The Council prepares a Strategic Plan outlining the key priorities for the Council. Each service area develops a Business Plan for delivery of the Strategic Plan. The Strategic Plan and Business Plan are used in the development of the Medium Term Financial Strategy which identifies the required resources to deliver services. Each year the Medium Term Financial Strategy is updated with a subsequent period. This is achieved through consultation with budget managers in their areas of responsibility.
How the body plans to bridge its funding gaps and identifies achievable savings.	Funding gaps are identified as part of the Medium Term Financial Strategy and Annual Budget Setting Process. The Council engages in the use of financial levers through changes in council tax, business rates, and service fees to bridge these gaps. Directors assign budget holders responsibility for areas of the budget aligned with the decision making responsibility for that area of expenditure.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities#.	The Medium Term Financial Strategy allocates resources in line with the priorities established in the Council Strategic Framework and essential services. The Annual Budget Setting Process considers where expenditure can be scaled back or identification of opportunities for generation of income.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.	The Council prepares a Strategic Plan outlining the key priorities for the Council. Each service area develops a Business Plan for delivery of the Strategic Plan. The Strategic Plan and Business Plan are used in the development of the Medium Term Financial Strategy.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.	The Council maintains a Strategic Risk Register that identifies the potential risk, level of risk based on probability and impact, owners of the risk, and actions to mitigate the risk. The Council maintains a treasury management strategy to safeguard against liquidity shortages and undertakes going concern assessment as part of preparation of the Statement of Accounts.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Risk reporting is undertaken as part of the balanced scorecard approach to performance management. These scorecards are reviewed monthly by the Leadership team and quarterly by the Performance and Audit Scrutiny Committee. Assurance over the operation of internal controls is achieved through an internal audit function who use a risk-based approach to identify the on-going audit programme. The Council has also established counter-fraud and whistle blowing policies to facilitate a culture of incident reporting.
How the body approaches and carries out its annual budget setting process	The Section 151 Officer prepares and submits the annual budget to the Council on the basis of information provided by the West Suffolk Council Leadership team and budget holders. Consideration is given to the existing approved Medium Term Financial Plan and updates are made as necessary for assumption, changes in existing delivery plans, and changes in the macro environment. Budget holders are consulted for the areas of the budget in which they will be held responsible and accept accountability for their budgets and services to be delivered. The budget is presented to the Council for approval.
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.	Directors are responsible for controlling income and expenditure based on the budget approved by the Council. The directors further delegate the monitoring of the budget to budget holders directly responsible for the decision making process that commits expenditure. Budget monitoring is an on going process with quarterly performance reporting to the Performance and Audit Scrutiny Committee.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.	The Council consults with members of the public through a number of avenues from workshops, telephone calls, social media channels and the website, to gauge public opinion issues. Non-cabinet member and the public are also permitted to speak at meetings on any matter of the agenda. The Performance and Audit Scrutiny Committee is comprised of appropriately skilled and experienced members and have clear terms of reference which emphasise the Committee's role in providing effective challenge.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

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

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement.	The Council appoints a Performance and Audit Scrutiny Committee that monitors the performance of the council with consideration of performance indicators, financial information, reports from external inspections, audit reports, and business plans. On a quarterly basis the Performance and Audit Scrutiny Committee receives Performance Reporting from the Section 151 Officer.
How the body evaluates the services it provides to assess performance and identify areas for improvement.	The Council identifies priorities in its Strategic Framework to assess the performance in achievement of the stated strategic initiatives. These measures are reported on a quarterly basis to the Performance and Audit Scrutiny Committee. In preparation of the Annual Budget the Council considers adjustments to the services provided to achieved a balanced budget through reduction of service or identification of new income generation streams. The Council furthers uses a balanced score card approach.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.	Partnership arrangements take the form of Service Level Agreements which are reviewed as part of the budget setting process. The Council maintains a formal protocol on how it enters into funding arrangements with voluntary and third sector organisations.
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.	'The Council employs a procurement strategy through its Contract Procedure Rules, Modern Slavery Statement, Equality Statement, and Strategic Framework. The Council has a qualified procurement manager who assesses the appropriateness of significant procurement contracts against laws and regulations. Significant procurement activities are monitored through budget reports provided by specifically assigned project managers.

Appendix B – Fees – West Suffolk Council **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 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

Audit Fees – West Suffolk Council	Final Proposed Fee 2021/22	Planned fee 2021/22	Final Fee 2020/21
	£	£	£
PSAA scale fee	55,050	55,050	55,050
Changes in work required to address additional professional and regulatory requirements and changes in scope	51,735 (Note 2)	TBC	47,734 (Note 1)
Fee variation on additional risk areas:			
• Significant Risk: Mildenhall Hub Valuation	12,933		
• Significant Risk: Solar farm	5,449		
• Inherent Risk: Infrastructure Assets	2,585		
• Inherent Risk: Group	8,250		
• Impact of March 2022 Triannual valuation on pension liability	5,338		
Total Fees	141,340	TBC	102,784

All fees exclude VAT

Note 1: Following completion of the 2020/21 audit we submitted a proposed additional fee of £86,807 to PSAA. 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 2020/21 in respect of Covid, significant risks, new NAO Code of Audit Practice and ISA requirements. PSAA Ltd determined, a final additional fee for 2020/21 of £47,734.

Note 2: For 2021/22 the scale fee will again be impacted by the increased regulatory requirements and our proposed uplifting of the base scale fee. An increased fee is also proposed for additional audit procedures required to respond to the risks identified which are not reflected in the PSAA scale fee. The proposed additional fee is yet to be discussed with management and remains subject to determination by PSAA.

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