



**Suffolk Coastal District
Council**

Audit results report

Year ended 31 March 2019

UPDATE November 2020



Dear Audit and Governance Committee Members

23 November 2020

We are pleased to provide an update to our Audit Results Report which was presented to the Audit and Governance Committee in September. This update finalises our audit conclusions in relation to the audit of Suffolk Coastal District Council for 2018/19 which is now substantially complete.

As noted in our previous report, as a result of the uncertainties faced due to Covid-19 as well as the establishment of the new East Suffolk Council from 1 April 2019, we have included an emphasis of matter paragraph in the auditor's report which draws the readers' attention to relevant disclosures made by the Council. Our opinion is not modified in this respect.

We also have no matters to include in the auditor's report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

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

Yours sincerely

Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl



01 Executive Summary

Executive Summary

Status of the audit (UPDATED)

We have now substantially completed our audit of the Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Provisional Audit Planning Report. Subject to satisfactory completion of the outstanding matters set out below and correction of the material differences identified, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3:

- Completion of our internal consultation requirements relate to the disclosures related to the impact of Covid-19 and the establishment of the new East Suffolk Council from 1 April 2019
- Review of the final amended financial statements
- Review of subsequent events up to the date of the audit opinion
- Receipt of the signed management representation letter and financial statements

We expect to issue the audit certificate after the issue of the audit opinion, once we have concluded on the objection referred to in our September Audit Results Report.

Audit differences (UPDATED)

Unadjusted audit differences

We have identified two audit differences in the financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Audit and Governance Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £835,000. There is no impact on the general fund as both differences relate to the Council's net defined benefit pension liability.

Adjusted audit differences

There were four audit differences with a total value of £6.478 million which have been adjusted by management. None of these adjustments impacted the Council's general fund. We also identified some disclosure differences which have been adjusted by management.

UPDATE: A further audit difference of £1.087m was identified from the completion of our remaining work which management agreed to adjust. As a result the Council's general fund earmarked reserves reduced by £0.596 million.

Details of the adjusted and unadjusted audit differences can be found in Section 2 Audit Differences.



Executive Summary

Objection (UPDATED)

We received an objection to the 2018/19 accounts from a member of the public. This related to the Council's arrangements to secure value for money in respect of the disposal of its former head office building

We have made inquiries of management related to the issues raised and our work in this regard is ongoing. However, subject to satisfactory responses from the Council, we expect to conclude that the matter raised has not had any impact on our financial statement opinion or value for money conclusion. We therefore expect to issue our completion certificate along with our opinion and value for money conclusion once we have concluded on the objection. Section 5 Value for Money for includes further details.

UPDATE: We have considered management's responses to our inquiries and have no matters to report to the Committee in this regard. We will respond to the objector in due course.

Areas of audit focus

Our Provisional Audit Planning Report identified key areas of focus for our audit of Suffolk Coastal District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

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

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

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

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. No weaknesses of internal control have come to light from our work that we wish to bring to your attention.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Provisional Audit Planning Report we did not identify any significant value for money risks.

Our work in this regard is complete, subject to the conclusion of the matters raised in the objection and final Associate Partner review. Based on the work we have completed we have not identified any matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

The Council is below the threshold set by the National Audit Office (NAO) for the Whole of Government Accounts submission. Therefore we do not have any procedures to undertake and have no issues to report.

We have no matters to report.

Independence

We have no issues to report regarding independence.

A woman with long brown hair, wearing a dark sleeveless top, is pointing her right index finger at a large digital display wall. The wall is filled with various financial charts, including line graphs and bar charts, and data tables. The background is a dimly lit room with blue ambient lighting.

02 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.

Summary of adjusted differences (UPDATED)

We highlight the following misstatements greater than £972,000 which have been corrected by management that were identified during the course of our audit:

- ▶ Income in relation to the Community Infrastructure Levy (CIL) was understated by £966,000. Related debtors were understated by £1,135,000 and creditors overstated by £169,000. The error arose because officers had recorded CIL income based upon when invoices were issued rather than the date of intended or deemed commencement of the related developments.
- ▶ Long term investments were understated by £5 million as a 2 year treasury investment with another Council was misclassified as short-term.
- ▶ The Events after the Reporting Period note was amended to include reference to include Covid-19 related disclosures.

UPDATE:

We identified one further audit difference from our outstanding work reported to the September Committee. The business rates appeals provision as at 31 March 2019 was overstated by £1,087,505. Following the production of the draft statement of accounts but before the audit of the final accounts was complete, certain appeals were settled. The settlement of the appeals represented an adjusting event after the reporting period as it provided evidence of conditions that existed at the end of the reporting period (i.e. that the appeals provision was overstated as at 31 March 2019). The Council is part of the Suffolk County Council pooling arrangements for business rates. The overall impact on the Council’s reserves as at 31 March 2019 was an increase of £491,172, comprising a reduction of £596,333 in earmarked reserves and an increase of £1,087,505 in the Collection Fund Adjustment Account.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Civic Affairs Committee and provided within the Letter of Representation:

Uncorrected misstatements Council and Group 31 March 2019	Effect on the current period:	Balance Sheet (Decrease)/Increase			
		Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
	Comprehensive income and expenditure statement Debit/(Credit)	£'000	£'000	£'000	£'000
Other Long Term Liabilities - Pension Liability					(835)
Remeasurement of the net defined liability - change due to movement in asset values at 31 March compared to the actuaries estimate	410				
Past Service Cost - estimated for McCloud and GMP ruling	425				
Total uncorrected audit differences	835	-	-	-	(835)

Management have determined not to amend the statements for these audit differences as they are individually and cumulatively immaterial.

Uncorrected misstatements in the statement of cash flows

We have not identified any audit differences in respect of the cash flow statements which management have not agreed to correct.

Uncorrected disclosure misstatements

We have not identified any further disclosure related audit differences which management have not agreed to correct.