



Waveney District Council

Audit results report

Year ended 31 March 2019

September 2020



Dear Audit and Governance Committee Members

10 September 2020

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit and Governance Committee. This report finalises our audit conclusions in relation to the audit of Waveney District Council for 2018/19.

We have substantially completed our audit of Waveney District Council for the year ended 31 March 2019.

We planned to complete the audit by 31 July 2019. Unfortunately this was not possible due to our own resourcing difficulties. We have taken these resourcing difficulties into account when estimating the additional fee we propose for completing the audit outlined in Section 8. Our ability to issue an opinion in a timely manner was further delayed as we agreed with management to move the start date from October 2019 to late January 2020 in order to bring forward Housing Benefit work; and further due to the impact of Covid-19.

In completing the audit, we have considered the impact that Covid-19, as a post balance sheet event for 2018/19, has had on the certainty of future local government funding. We sought evidence from the Council regarding its assessment on its future financial resilience and the impact this may have on the disclosures in the 2018/19 accounts. As a result of the uncertainties faced, 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.

A further consequence of Covid-19 is additional quality assurance that EY has introduced in the form of an internal consultation process for our proposed auditor's report. This aims to ensure that we provide the appropriate assurance to the Council and its stakeholders. Subject to concluding the outstanding matters listed in our report, we confirm that we anticipate issuing an unqualified audit opinion on the financial statements.

We 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 engagement and welcome the opportunity to discuss the contents of this report with members of the Audit and Governance Committee on 22 September 2020.

Yours sincerely

Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (www.PSAA.co.uk).

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 (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 Audit and Governance Committee, the Authority and management of Waveney District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, the Authority and management of Waveney District 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 Audit and Governance Committee, the Authority and management of Waveney District 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 Planning Report presented at the 17 January 2019 Waveney District Council's Audit and Governance Committee meeting, we provided members 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 subject to the modifications noted below.

Changes in materiality:

In our Provisional Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.551 million, with performance materiality, at 75% of overall materiality, of £1.163 million, and a threshold for reporting misstatements of £77,500.

We updated our materiality and reconsidered our risk assessment using the draft accounts. Based on our materiality measure of gross expenditure on the provision of services, we have updated our overall materiality assessment to £1.523 million. This results in updated performance materiality, at 75% of overall materiality, of £1.142 million and reporting threshold of £76,000. The basis of our assessment remains 2% of gross expenditure on provision of services.

Other scope changes:

- We were required to undertake additional procedures in relation to the impact of the Covid-19 pandemic on the disclosures in the Council's financial statements
- The Council restated valuations of some of its land and buildings in the prior year. We are required to consult internally when amounts previously audited are restated.

Status of the audit

We have 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 we have identified, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Review of Authority's responses to our Covid-19 related queries and revised proposed disclosures
- Final Associate Partner review of the audit work undertaken
- Completion of our internal consultation requirements relating to the impact of Covid-19
- Completion of our review of and internal consultation on the prior period adjustments
- Review of the final amended financial statements
- Review of subsequent events up to the date of the opinion
- Receipt of the signed management representation letter and financial statements

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Status of the audit

Impact of Covid-19

A number of audit procedures were in progress when the government introduced lockdown measures in late March. Since then we have been working closely with the Finance team to undertake the remaining audit procedures whilst working remotely.

Specific to the financial statements, Covid-19 has had three main impacts:

1. Financial resilience and going concern

There is presumption that the Council is a going concern due to the continuation of services through the successor body East Suffolk Council. However, the uncertainty over future government funding and other sources of revenue as a result of Covid-19 means that the Authority needs to undertake a more detailed assessment to support the presumption that the accounts are prepared on a going concern basis and evaluate its financial resilience. From an audit report perspective, the going concern concept covers a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, for the 2018/19 statements, for example, we need to see evidence of an assessment up to and including September 2021, which therefore includes information relevant to the 2021/22 financial year. We have requested information about the Council's latest financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, and are currently reviewing the responses which have recently been provided. We also discussed with management the need to make specific disclosures in the 2018/19 statements on going concern and financial resilience including any material uncertainties identified.

2. Accounts and disclosures

For the 2018/19 statements, Covid-19 impacts disclosures only, however it will impact a number of accounting judgements and disclosures in 2019/20.

3. Auditor's report consultation

Following the government's decision to enforce a lockdown, all audit firms implemented a moratorium on the majority of their auditor reports. Whilst the moratorium was lifted in mid-April, because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, EY (in common with other firms) introduced a rigorous consultation process for all auditor reports to ensure that we are providing the appropriate assurance to the readers of accounts.

Executive Summary

Audit differences

Unadjusted audit differences

We have identified four audit differences in the financial statements which management chose not to adjust. In addition we identified two disclosure related audit differences which management has chosen not to adjust.

We ask that these audit differences 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 £988,000. There would be an £80,000 reduction in the general fund/earmarked reserves if these differences were corrected.

Adjusted audit differences

There was one audit difference in relation to the Community Infrastructure Levy with a gross total of £70,000 which has been adjusted by management. This had no impact on the Council's general fund.

We also identified some disclosure differences which have been adjusted by management.

Details of the adjusted and unadjusted audit differences can be found in Section 4 Audit Differences.

Areas of audit focus

Our Provisional Audit Planning Report identified key areas of focus for our audit of Waveney 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 final review. We have no 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 Authority. 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

Please refer to Section 8 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant 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 judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias including journal entries, material accounting estimates, and unusual transactions.

What did we do?

- ▶ Assessed fraud risks during the planning stages of our audit.
- ▶ 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.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
 - ▶ Assessed accounting estimates for evidence of management bias, and
 - ▶ Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

We have not identified any

- ▶ material weaknesses in controls or evidence of material management override;
- ▶ instances of inappropriate judgements being applied; or
- ▶ other transactions during our audit which appeared unusual or outside the Authority's normal course of business



Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

What judgements are we focused on?

We focussed on the testing capital expenditure and obtaining evidence that additions have been correctly classified as capital expenditure.

What did we do?

We undertook a substantive approach to respond to this risk, undertaking the following procedures:

- Sample testing on additions to property, plant and equipment to ensure that they have been correctly classified as capital, and included at the correct value, to identify any revenue items that have been inappropriately capitalised.
- Identification of the controls the Authority has in place to prevent incorrect capitalisation of revenue expenditure.
- Consideration of the effectiveness of management's controls designed to address the risk.
- Testing year end journals which move expenditure from revenue to capital.

What are our conclusions?

Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.



Areas of Audit Focus

Other Areas of Audit Focus

Valuation of land and buildings

What is the risk?

Land and buildings represent significant balances in the Authority's 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 experts and assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the valuations which could have a material impact on the financial statements, primarily:

- ▶ any significant changes in the asset base;
- ▶ the assumptions and estimates used to calculate the valuation; and
- ▶ changes to the basis for valuing the assets.

What did we do?

- ▶ Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (for example size of the asset area to support valuations based on price per square metres);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties;
- ▶ Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered any changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work on the valuation of land and buildings is substantially complete, subject to final review.

Officer's identified that various assets had been misclassified in earlier years as community assets rather than other land and buildings. Community assets are valued on the basis of historic cost and had been included in the accounts at a value of £617,000. Other land and buildings are valued on an existing use basis. On an existing use basis these assets have a valuation of £0.

Officers treated this as a prior period adjustment. Although we agreed the nature of the error it does not meet the definition of a prior period adjustment as the error was immaterial. The correct approach would have been to account for the error in the current year. Management determined not to amend the statements for this issue. We have not included this as an audit difference in Section 4 of this report as the balance at 31 March 2019 is correctly stated

We have asked in future that management inform us in advance of any proposed prior period adjustments.



Areas of Audit Focus

Other Areas of Audit Focus

Pension liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Authority's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £28.38 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the pension liability, which could have a material impact on the financial statements, primarily:

- ▶ The reasonableness of the underlying assumptions used by the Authority's expert;
- ▶ Ensuring the information supplied to the actuary in relation to Waveney District Council was complete and accurate;
- ▶ Considering the reasonableness of any significant changes in assumptions made by the actuary;
- ▶ Considering the assessments of the actuary undertaken by PWC and the EY actuarial team.

What did we do?

- ▶ Liaised with the auditors of the administering authority (Suffolk Pension Fund), to obtain assurances over the information supplied to the actuary in relation to Waveney District Council;
- ▶ Assessed the work of the Pension Fund actuary, including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Compared the year end asset values with the estimate used by the actuary in producing the Authority's IAS 19 report and considered the impact on the Authority's pension fund liability and IAS19 disclosures;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

Our work is complete in this area subject to final review. We wish to report the following:

- ▶ The Authority re-engaged the actuary to estimate the impact of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. The total estimated increase in the liability as a result of these rulings was £245,000 for McCloud and £173,000 for GMP.
- ▶ We also noted a £410,000 drop in value of Authority's share of the year-end actual value of pension fund assets compared with the estimate used to inform the actuary's assessment of the IAS 19 liability.

The net defined pension liability would increase by £908,000 if these differences were corrected. Management have decided not to amend the statements and they are therefore shown as uncorrected audit differences in Section 4.



Areas of Audit Focus



Other areas of audit focus

We 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.

Financial statement area	What we did	What we concluded
<p>IFRS 9 financial instruments</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p>	<ul style="list-style-type: none"> ▶ Assessed the Authority's implementation arrangements; ▶ Considered the classification and valuation of financial instrument assets; ▶ Reviewed new expected credit loss model impairment calculations for assets; and ▶ Checked additional disclosure requirements. 	<p>We noted that the Authority incorrectly showed a £109,000 valuation increase in respect of Available for Sale Financial Assets.</p> <p>This classification no longer exists under IFRS 9 ad should not therefore have appeared in the CIES. Management have not corrected this audit difference which can be seen in Section 4.</p>
<p>IFRS 15 Revenue from contracts with customers</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.</p> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 CIPFA Code of practice on local authority accounting provided guidance on the application of IFRS 15 and included a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<ul style="list-style-type: none"> ▶ Assessed the Authority's implementation arrangements; ▶ Considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▶ Checked additional disclosure requirements 	<p>Having reviewed the Authority's analysis of the impact of IFRS 15 on their financial statements, we agreed with their conclusion that this standard does not have a material impact on their disclosures.</p> <p>The Authority should keep this under review.</p>



03 Audit Report



Audit Report

Revised audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAVENEY DISTRICT COUNCIL

Opinion

We have audited the financial statements of Waveney District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Related notes 1 to 34 and Expenditure and Funding Analysis on page 22
- Housing Revenue Account and related notes 1 to 9
- Collection Fund Income and Expenditure Account and related notes 1 to 3

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Waveney District Council at 31 March 2019 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 2018/19.

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 below. We are independent of the authority 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 (C&AG) 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.

Emphasis of matter – Disclosure in relation to the effects of COVID-19

We draw attention to Note 1 Accounting Policies; policy a) General principles and Note 6 Events after the reporting period, which describe the financial and operational consequences the Council and Group is facing as a result of COVID-19 and the additional pressure that this presents to expenditure and funding. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. 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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Waveney District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority's 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's 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 either intends to cease operations, or have 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.

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.

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, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether Waveney District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Waveney District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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, Waveney District 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 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.



Audit Report

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Waveney District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Waveney District Council , as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Waveney District Council and the Waveney District Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date:



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.

Summary of adjusted differences

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

Adjusted Disclosure Differences (no impact on general fund or earmarked reserves)

1. Future minimum lease payments receivable under operating leases were understated by £4 million.
2. We identified three inconsistencies between the capital expenditure and financing note and equivalent notes in the financial statements, Most significant was the omission of the contribution from the major repairs reserve of £2.525 million. The capital expenditure and financing note has been amended.
3. The application of grants from the capital grants unapplied account disclosed in the adjustments under accounting and funding basis Note 9 differed by £1.37 million from the same disclosure in the Capital Adjustment Account. The Capital Adjustment Account was restated.
4. We noted differences in the Officers Remuneration and Exit Packages Note 25 which resulted in the following amendments:
 1. The compulsory redundancy of £77,980, included in the £60,001 to £80,000 cost band, was removed and the total number of compulsory redundancies reduced to 6 as this was a duplicate of disclosure from the prior year. The total cost of exit packages in the band £0 to £20,000 was increased by £520. The total of all exit packages was reduced by £77,460 as a result.
 2. The narrative disclosure below the table re payments made for ill-health retirements was increased by £65,000 to £239,000.
5. Note 1 Accounting Policies a) General principles and Note 6 Events after the Reporting Period were amended to include Covid-19 related disclosures.

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)
	£'000	£'000	£'000	£'000	£'000
Other Long Term Liabilities - Pension Liability					(908)
Remeasurement of the net defined liability - change in year-end actual value of pension fund assets compared with the estimate used to inform the actuary's assessment of the IAS 19 liability	490				
Past Service Cost - estimated for McCloud and GMP legal rulings	418				
Understated housing benefit bad debt impairment provision	80	(80)			
Surplus on available for sale financial assets	109				
Financing and Investment Income and Expenditure	(109)				
Total uncorrected audit differences	988	(80)	-	-	(908)

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



Audit Differences

Summary of unadjusted differences (continued)

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 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

1. Following the introduction of IFRS 9, the category of 'available for sale financial assets' was removed. Any reclassifications required as a result of the transition to IFRS 9 should have been accounted for as transfers between reserves as at 1 April 2018. There should be no gains/losses on available for sale financial assets in 2018/19. The Authority incorrectly recognised £109,000 as a surplus on revaluation of available for sale financial assets in other comprehensive income. As a consequence the disclosures in relation to the Available for Sale Financial Instruments Reserve in Note 21 contain inappropriate entries.



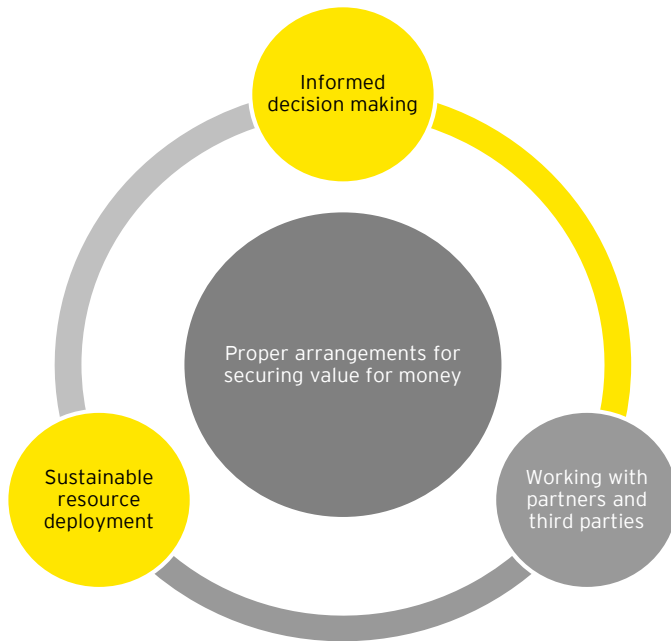
05

Value for Money Risks

01



Value for Money



Background

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. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

In our Provisional Audit Plan we identified no significant value for money risks around these criteria. We have not identified any additional risks during our audit. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues

01

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 2018/19 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.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and 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. The Authority 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 submitted the return to confirm this based on the draft statement of accounts.

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.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

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 [Authority]'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;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no issues to report



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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 therefore 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.

We have no matters we wish to bring to your attention.



08

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 22 September 2020.

We confirm we have undertaken non-audit work outside the NAO Code requirements.

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 your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors 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 2018 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

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included below.

We confirm that none of the services listed below have been provided on a contingent fee basis.

As at the date of this report, future non-audit services are limited to reasonable assurance engagement for the housing subsidy grant claim and, if appointed, for the pooling of housing capital receipts return.

There are no other future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken non-audit work outside the NAO Code requirements in relation to the housing subsidy grant claim. Non-audit work is work not carried out under the Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee - Code work (Note 1)	47,406	41,406	41,406	59,220
Housing subsidy grant claim (Note 2)	25,935	17,530	n/a	20,884
Pooling of Housing Capital Receipts Return (Note 3)	-	-	n/a	3,500
Total non-audit work	25,935	17,530	n/a	24,384
Total Fees	66,024	58,936	n/a	83,604

Note 1 - The 2018/19 final fee includes an estimated fee variation of £6,000 due to additional work required to consider the prior period adjustments and the impact of the Covid-19 pandemic. The final fee for Code work in 2017/18 included a scale fee variation of £5,446.

Note 2 - The 2018/19 planned fee assumed testing levels required will be similar to 2017/18. The final fee for the 2017/18 housing benefits work included a scale fee variation of £9,869.

Note 3 - we did not undertake this work in 2018/19.







9

Appendices



Appendix A

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. 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 and Governance 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.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
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 planning report

Appendix A

		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 ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ 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 Authority, any identified or suspected fraud involving: <ul 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 and Governance Committee responsibility. 	Audit results report







Appendix A

		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 Authority'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 Authority 	Audit results report
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 judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report and Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
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. 	We have received all requested confirmations
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 and Governance 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 and Governance Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
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

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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. 	Audit planning report and Audit results report
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 those charged with governance 	Audit results report
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
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report and Audit results report
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	Annual Audit Letter

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