



**East Suffolk House, Riduna Park, Station  
Road, Melton, Woodbridge, IP12 1RT**

# **Audit and Governance Committee**

## **Members:**

Councillor Geoff Lynch (Chairman)  
Councillor Edward Back (Vice-Chairman)  
Councillor Judy Cloke  
Councillor Tony Cooper  
Councillor Linda Coulam  
Councillor Tess Gandy  
Councillor Chris Mapey  
Councillor Rachel Smith-Lyte  
Councillor Ed Thompson

Members are invited to an **Extraordinary Meeting of the  
Audit and Governance Committee**  
to be held on **Monday, 18 January 2021 at 6.30pm**

This meeting will be conducted remotely, pursuant to the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

The meeting will be facilitated using the Zoom video conferencing system and broadcast via the East Suffolk Council YouTube channel at <https://youtu.be/23MtTcOWLal>

An Agenda is set out below.

## **Part One – Open to the Public**

**Pages**

**2 Declarations of Interest**

Members and Officers are invited to make any declarations of Disclosable Pecuniary or Local Non-Pecuniary Interests that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered.

**3 Suffolk Coastal District Council Annual Audit Letter 2018/19 ES/0632** **1 - 34**

The report of the Cabinet Member with Responsibility for Resources

**4 Waveney District Council Annual Audit Letter 2018/19 ES/0633** **35 - 59**

The report of the Cabinet Member with responsibility for Resources

**Part Two – Exempt/Confidential**

There are no Exempt or Confidential items for this Agenda.

**Close**



Stephen Baker, Chief Executive

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## AUDIT AND GOVERNANCE COMMITTEE

Monday, 18 January 2021

### SUFFOLK COASTAL DISTRICT COUNCIL – ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018/19, INCLUDING UPDATED AUDIT RESULTS REPORT

#### EXECUTIVE SUMMARY

1. Ernst and Young's Annual Audit Letter communicates the key issues arising from their work to Members and external stakeholders, including members of the public. This letter is contained in **Appendix A**.
2. Detailed findings from Ernst and Young's audit work have already been report to the Audit & Governance Committee via their Audit Results Report in September 2020. At that time the audit was substantially complete. The updated Audit Results Report for 2018/19 (November 2020) is attached at **Appendix B**. The sections updated are clearly indicated in the Report. Those findings have not been repeated in the Annual Audit Letter.
3. The Executive Summary of the Audit Letter covers the areas of audit work undertaken and the conclusions of that work, while the Financial Statement Audit and Value for Money sections of the letter detail the significant risks identified from Ernst and Young's audit planning, along with the findings from their work in relation to these areas. There were no issues to report and an unqualified audit opinion and unqualified value for money conclusion were issued.
4. **Appendix A** of the Audit Letter details the audit fees that are agreed and proposed. The scale fee variations for the 2018/19 year are yet to be agreed by the S151 Officer and are subject to further approval by Public Sector Audit Appointments (PSAA). The estimated scale fee variation of £10,600 in respect of the 2018/19 audit is in respect of an objection to the Statement of Accounts. Ernst and Young are yet to conclude their work in this regard.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All Wards in East Suffolk
<b>Cabinet Member:</b>	Councillor M Cook Cabinet Member with responsibility for Resources
<b>Supporting Officer:</b>	Brian Mew Chief Finance Officer and Section 151 Officer 01394 444571 <a href="mailto:brian.mew@eastsuffolk.gov.uk">brian.mew@eastsuffolk.gov.uk</a>

## **1 INTRODUCTION**

- 1.1 The Annual Audit Letter attached as **Appendix A**, produced by the External Auditor, Ernst & Young, communicates the key issues arising from their work to Members and external stakeholders. including members of the public.

## **2 ANNUAL AUDIT LETTER 2018/19**

- 2.1 Detailed findings from Ernst and Young's audit work have already been report to the Audit & Governance Committee via their Audit Results Report in September 2020. At that time the audit was substantially complete. The finalised Audit Results Report is attached at **Appendix B**. Those findings have not been repeated in the Annual Audit Letter.
- 2.2 The Executive Summary of the Audit Letter covers the areas of audit work undertaken and the conclusions of that work, while the Financial Statement Audit and Value for Money sections of the letter detail the significant risks identified from EY's audit planning, along with the findings from their work in relation to these areas. There were no issues to report and an unqualified audit opinion and unqualified value for money conclusion were issued.
- 2.3 **Appendix A** of the Audit Letter details the audit fees that are agreed and proposed. The scale fee variations for the 2018/19 year are yet to be agreed by the S151 officer and are subject to further approval by Public Sector Audit Appointments (PSAA). The estimated scale fee variation of £10,600 in respect of the 2018/19 audit is in respect of an objection to the Statement of Accounts. Ernst and Young are yet to conclude their work in this regard.

## **3 CONSULTATION**

- 3.1 There have been ongoing updates with the Audit team and key stakeholders.

## **4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?**

- 4.1 The Annual Audit Letter is a statutory requirement by the Local Audit and Accountability Act 2014. The Annual Audit Letter does not link directly to the Council's Strategic Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will assist to achieve the priorities of the Strategic Plan.

## **5 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 5.1 There have been a limited number of material issues raised from the audit.
- 5.2 Following the completion of outstanding audit work as reported at the September Audit and Governance meeting, an adjustment to the business rates appeals provision as at 31 March 2019, comprised a reduction to the Council's general fund earmarked reserves of £0.596m.
- 5.3 Other financial implications are included in Section 2.

## **6 OTHER KEY ISSUES**

- 6.1 None.

## **7 OTHER OPTIONS CONSIDERED**

- 7.1 None.

## 8 REASON FOR RECOMMENDATION

- 8.1 The consideration of the External Auditors' Report and Annual Audit Letter is a statutory requirement under the Local Audit and Accountability Act 2014.

### RECOMMENDATIONS

That the Committee notes:

1. The key findings within the External Auditors' Annual Audit Letter for the year ended 31 March 2019 in respect of Suffolk Coastal District Council, **Appendix A**.
2. The findings in the updated External Auditors Report 2018/19 (updated November 2020), **Appendix B**.

### APPENDICES

<b>Appendix A</b>	Suffolk Coastal District Council Annual Audit Letter Year Ended 31 March 2019
<b>Appendix B</b>	Suffolk Coastal District Council Audit Results Report 2018/19 (Updated November 2020)

### BACKGROUND PAPERS – none

# **Suffolk Coastal District Council**

Annual Audit Letter for the year  
ended 31 March 2019

January 2021

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Focused on your  
future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

This 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 PSAA set 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





# 01 Executive Summary

## Executive Summary

We are required to issue an Annual Audit Letter to Suffolk Coastal District Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	
► Financial statements	<p>Unqualified - the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.</p> <p>Due to a number of factors, including our own resourcing difficulties, a delayed start, and the impact of Covid-19, the audit of the 2018/19 financial statements was prolonged and challenging. Our audit identified some errors in the accounts which were corrected by management.</p> <p>We issued our auditor's report on 10 December 2020. The report included a paragraph to emphasise to the reader of the accounts the Council's disclosures on the dissolution of Suffolk Coastal District Council; creation of its successor body East Suffolk Council; and the impact of the Covid-19 pandemic on its financial position.</p>
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
<b>Reports by exception:</b>	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	<p>We had no matters to report.</p> <p>The Council is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the consolidation pack.</p>

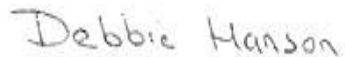
## Executive Summary (cont'd)

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In addition we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued an Audit Results Report on 10 September 2020. At the conclusion of the audit, we issued an updated Audit Results Report on 23 November 2020 which was shared with the Chair of the Audit and Governance Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO's 2015 Code of Audit Practice.	We plan to issue our certificate once we have concluded our work in relation to an objection to the 2018/19 accounts received from a member of the public.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.



Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP



## 02 Purpose and Responsibilities

# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We reported the detailed findings from our audit work in our 2018/19 Audit Results Report Update to the Chair of the Audit and Governance Committee representing those charged with governance on 23 November 2020, having previously presented an Audit Results Report to the Audit and Governance Committee on 22 September 2020.

We do not repeat those detailed findings in this Letter. The matters reported here are the most significant for the Council.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Provisional Audit Planning Report that we presented at the December 2018 Audit and Governance Committee and is conducted in accordance with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2018/19 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the NAO on your WGA return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.





03

## Financial Statement Audit

# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for it to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO and issued an unqualified audit report on 10 December 2020.

We reported detailed findings to the September 2020 Audit and Governance Committee. Further findings were reported to the Chair of that Committee on 23 November 2020. We summarise here the key risks we identified and our conclusions.

Our Audit Results Report and Update reported a small number of errors which were material in aggregate. Management corrected the majority of these errors, and all of those which were material.

Significant risk	Conclusion
<b>Misstatements due to fraud or error</b> The financial statements as a whole are not free of material misstatements whether caused by fraud or error. Senior 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.	We found no evidence in our testing that management had overridden controls.
<b>Inappropriate capitalisation of revenue expenditure</b> That the Council could try reduce the level of revenue expenditure charged to services by accounting for some of it as capital expenditure related to land, buildings and equipment and therefore funding from capital rather than revenue balances.	We found no evidence in our testing that management had accounted for revenue expenditure on services as capital spend relating to land, buildings and equipment.

## Key Issues

Other areas of audit focus	Conclusion
<p><b>Valuation of other land and buildings and investment properties</b></p> <p>The Council owns £60 million of land and buildings.</p> <p>The valuation of these assets is a significant estimate, involving the use of a valuation expert and requires judgement from senior officers. A small error in judgement can have a big impact on the valuation.</p>	<p>When completing this work we noted:</p> <ul style="list-style-type: none"> <li>▶ The valuation of chalets in Felixstowe was overstated by a total of £243,000 due to VAT being incorrectly included in forecast income.</li> <li>▶ The valuation of the Felixstowe leisure centre was understated by £100,000 due to the use of an index as at 1 April 2018 rather than 1 April 2019.</li> </ul>
<p><b>Pension liability valuation</b></p> <p>The Council's pension fund deficit is a material estimated balance which is disclosed on the Council's balance sheet based on information provided by the pension fund actuary.</p> <p>At 31 March 2019 this totalled £33.4 million.</p>	<p>Management obtained an updated actuarial valuation of the pension liability to reflect the impact of a national legal case impacting all council pension schemes as well as to reflect changes in the value of pension fund investment assets at year end compared to the estimates initially used by the actuary.</p> <p>Management decided not to amend the statements for these issues as they were immaterial in aggregate. The net defined pension liability would increase by £835,000 if these differences were corrected.</p>
<p><b>New accounting standards</b></p> <p>The Council had to implement two new accounting standards for 2018/19:</p> <ul style="list-style-type: none"> <li>▶ IFRS 9 - Financial instruments</li> <li>▶ IFRS 15 - Revenue from contracts</li> </ul>	<p>IFRS 9 - Our audit procedures related to financial instruments did not identify any issues.</p> <p>IFRS 15 - Our audit procedures relating to revenue from contracts did not identify any issues. We agreed with the Council's conclusion that this standard does not have a material impact on their disclosures.</p>



# Financial Statement Audit

## Other Areas of Audit Focus (continued) Conclusion

### Impact of Covid-19

The Covid-19 pandemic has had a significant impact on the Council's finances.

As the 2018/19 financial statements were approved after the outbreak, the Council has disclosed in its accounts the impact of the pandemic on its income, expenditure and funds.

We identified the following areas of the financial statements and our audit which were impacted by Covid-19 :

1. Going concern assessment
2. Accounts disclosures

### Going concern assessment

There is presumption that the Council will continue as a going concern. However, the uncertainty over future government funding and other sources of Council revenue as a result of Covid-19 meant that the Council needed to undertake a more detailed assessment to support the presumption that the accounts be prepared on a going concern basis and evaluate its financial resilience. We scrutinised the Council's latest financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions and were satisfied that they supported the conclusion that there was no material uncertainty which required disclosure. Management also updated the disclosure on going concern in the financial statements to include additional information on the estimated impact of Covid-19 on the Council's future financial position.

### Accounts disclosures

For the 2018/19 statements, Covid-19 impacted disclosures only. We included an emphasis of matter paragraph in our audit opinion to highlight the disclosures in Note 1 Accounting Policies; policy a) General Principles and Note 6 Events after the Balance Sheet date, which describe the financial and operational consequences of Covid-19. Our opinion is not modified in respect of this matter.

## Financial Statement Audit (cont'd)

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.297 million which is 2% of gross revenue expenditure reported in the accounts.  We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £65,000.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



## 04 Value for Money

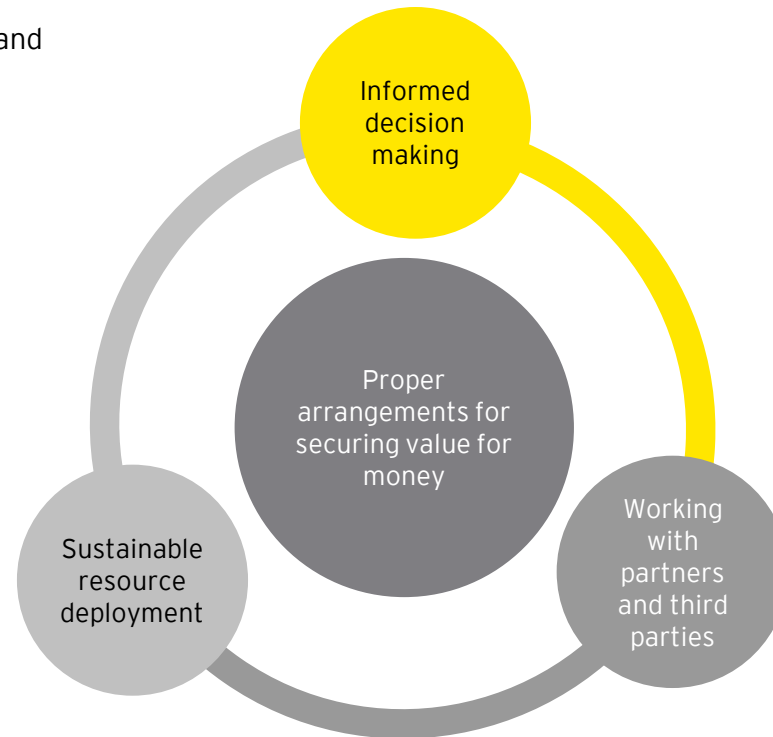
## Value for Money

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We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

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 our Audit Plan we did not identify any risks in relation to the value for money conclusion. We had no matters to report in respect of value for money in the auditor's report.



## 05 Other Reporting Issues





## Other Reporting Issues

### Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office (NAO) on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council falls below the NAO's threshold for auditor review.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the **Council** to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We received an objection to the 2018/19 accounts from a member of the public relating to the Council's arrangements to secure value for money in respect of the disposal of its former head office building. We made inquiries of management related to the issues raised. We were satisfied on the basis of the information we received that the matters raised did not have any impact on our financial statement opinion or value for money conclusion.

Our work in this regard however is not yet fully complete and we have therefore not issued our completion certificate at the time of writing this Letter.



## Other Reporting Issues (cont'd)

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Governance Committee on 22 September 2020 and again in our updated report on 23 November 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate significant deficiencies in internal control identified during our audit.

We adopted an audit approach which does not seek to rely on internal controls, and therefore did not test the operation of controls. -  
No weaknesses of internal control came to light from our work that we wish to bring to your attention.



06

## Focused on your future





## Focused on your future

The Code of Practice on Local Council Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IASB Conceptual Framework</b>	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local Council accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"><li>➤ new definitions of assets, liabilities, income and expenses</li><li>➤ updates for the inclusion of the recognition process and criteria and new provisions on derecognition</li><li>➤ enhanced guidance on accounting measurement bases</li><li>➤ enhanced objectives for financial reporting and the qualitative aspects of financial information.</li></ul> <p>The conceptual framework is not in itself an accounting standard. However, an understanding of concepts and principles can be helpful to preparers of local Council financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Council financial statements.</p> <p>However, Councils will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



07

## Audit Fees

## Audit Fees

In our Annual Results Report presented to the Audit and Governance Committee on 22 September 2020 we highlighted that due to the additional work we had undertaken to address risks identified we would seek to agree an additional fee with the Council's Section 151 officer. Any scale fee variations also need to be agreed by PSAA.

In the table below we summarise the fees that are agreed and proposed. The scale fee variations for the 2018/19 year are yet to be agreed by the s151 officer and are subject to further approval by PSAA.

	Proposed fee 2018/19	Planned fee 2018/19	Final Fee 2017/18
		£	£
Scale fee	38,869	38,869	50,479
Scale fee variations for overruns and additional audit work (Note 1)	10,600	-	6,120
<b>Total audit</b>	<b>48,869</b>	<b>38,869</b>	<b>56,599</b>
Other non-audit services not covered above Housing Benefits Subsidy Claim	17,155	17,155	19,521
<b>Total other non-audit services</b>	<b>17,155</b>	<b>17,155</b>	<b>19,521</b>
<b>Total fees</b>	<b>66,024</b>	<b>56,024</b>	<b>76,120</b>

All fees exclude VAT

**Note 1** - The scale fee variation of £10,600 in respect of the 2018/19 audit is an estimate as we are yet to conclude our work in respect of the objection to the statement of accounts.

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# **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.



## 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				
<b>Total uncorrected audit differences</b>		<b>835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(835)</b>

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.



## AUDIT AND GOVERNANCE COMMITTEE

Monday, 18 January 2021

### WAVENEY DISTRICT COUNCIL – ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018/19

#### EXECUTIVE SUMMARY

1. Ernst and Young's Annual Audit Letter communicates the key issues arising from their work to Members and external stakeholders, including members of the public. This letter is contained in **Appendix A**.
2. Detailed findings from Ernst and Young's audit work have already been report to the Audit and Governance Committee via their Audit Results Report in September 2020. At that time the audit was substantially complete. There have been no substantial changes since that update, therefore an updated Audit Results Report has not been necessary. Those findings have not been repeated in the Annual Audit Letter.
3. The Executive Summary of the Audit Letter covers the areas of audit work undertaken and the conclusions of that work, while the Financial Statement Audit and Value for Money sections of the letter detail the significant risks identified from Ernst and Young's audit planning, along with the findings from their work in relation to these areas. There were no issues to report and an unqualified audit opinion and unqualified value for money conclusion have been issued.
4. **Appendix A** of the Audit Letter details the audit fees that are agreed and proposed. The scale fee variation for the 2018/19 year is yet to be agreed by the S151 officer and is subject to further approval by Public Sector Audit Appointments (PSAA). The estimated scale fee variation in respect of the 2018/19 audit is an additional £6,000 due to additional work required to consider the prior period adjustments and the impact of the Covid-19 pandemic.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All Wards in East Suffolk
<b>Cabinet Member:</b>	Councillor M Cook Cabinet Member with responsibility for Resources
<b>Supporting Officer:</b>	Brian Mew Chief Finance Officer and Section 151 Officer 01394 444571 <a href="mailto:brian.mew@eastssuffolk.gov.uk">brian.mew@eastssuffolk.gov.uk</a>



## **1 INTRODUCTION**

- 1.1 The Annual Audit Letter attached as **Appendix A**, produced by the External Auditor, Ernst & Young, communicates the key issues arising from their work to Members and external stakeholders. including members of the public.

## **2 ANNUAL AUDIT LETTER 2018/19**

- 2.1 Detailed findings from Ernst and Young's audit work have already been report to the Audit & Governance Committee via their Audit Results Report in September 2020. Those findings have not been repeated in the Annual Audit Letter.
- 2.2 The Executive Summary of the Audit Letter covers the areas of audit work undertaken and the conclusions of that work, while the Financial Statement Audit and Value for Money sections of the letter detail the significant risks identified from EY's audit planning, along with the findings from their work in relation to these areas. There were no issues to report and an unqualified audit opinion and unqualified value for money conclusion were issued.
- 2.3 **Appendix A** of the Audit Letter details the audit fees that are agreed and proposed. The scale fee variation for the 2018/19 year is yet to be agreed by the S151 officer and is subject to further approval by Public Sector Audit Appointments (PSAA). The estimated scale fee variation in respect of the 2018/19 audit is an additional £6,000 due to additional work required to consider the prior period adjustments and the impact of the Covid-19 pandemic. Due to increased testing for the audit of the Housing Benefits Subsidy Claim, the final fee for 2018/19 increased by £8,405 against the planned fee.

## **3 CONSULTATION**

- 3.1 There have been ongoing updates with the Audit team and key stakeholders.

## **4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?**

- 4.1 The Annual Audit Letter is a statutory requirement by the Local Audit and Accountability Act 2014. The Audit Letter does not link directly to the Council's Strategic Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will assist to achieve the priorities of the Strategic Plan.

## **5 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 5.1 There have been a limited number of material issues raised from the audit and none of these have an impact on the financial position of Waveney District Council as at 31 March 2019. Other financial implications are included in Section 2.

## **6 OTHER KEY ISSUES**

- 6.1 None.

## **7 OTHER OPTIONS CONSIDERED**

- 7.1 None.

## **8 REASON FOR RECOMMENDATION**

- 8.1 The consideration of the External Auditors' Report and Annual Audit Letter is a statutory requirement under the Local Audit and Accountability Act 2014.

**RECOMMENDATION**

That the Committee notes the key findings within the External Auditors' Annual Audit Letter for the year ended 31 March 2019 in respect of Waveney District Council, **Appendix A**.

**APPENDICES****Appendix A**

Waveney District Council Annual Audit Letter Year Ended 31 March 2019

**BACKGROUND PAPERS – none**



# **Waveney District Council**

Annual Audit Letter for the year  
ended 31 March 2019

January 2021

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Focused on your  
future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

This 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 PSAA set 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 01 Executive Summary

## Executive Summary

We are required to issue an Annual Audit Letter to Waveney District Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	
► Financial statements	Unqualified - the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.  Due to a number of factors, including our own resourcing difficulties, a delayed start, and the impact of Covid-19, the audit of the 2018/19 financial statements was prolonged and challenging. Our audit identified some errors in the accounts which were corrected by management.  We issued our auditor's report on 10 December 2020. The report included a paragraph to emphasise to the reader of the accounts the Council's disclosures on the dissolution of Waveney District Council; creation of its successor body East Suffolk Council; and the impact of the Covid-19 pandemic on its financial position.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
<b>Reports by exception:</b>	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.  The Council is below the specified audit threshold of £500m. Therefore we did not perform any audit procedures on the consolidation pack.

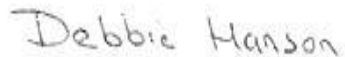
## Executive Summary (cont'd)

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In addition we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued an Audit Results Report on 10 September 2020.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO's 2015 Code of Audit Practice.	We issued our certificate on 10 December 2020.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.



Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP





## 02 Purpose and Responsibilities



# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the Audit and Governance Committee representing those charged with governance on 22 September 2020.

We do not repeat those detailed findings in this Letter. The matters reported here are the most significant for the Council.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Provisional Audit Planning Report that we presented at the January 2019 Audit and Governance Committee and is conducted in accordance with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2018/19 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the NAO on your WGA return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

## Financial Statement Audit

# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for it to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO and issued an unqualified audit report on 10 December 2020.

We reported detailed findings to the September 2020 Audit and Governance Committee. We summarise here the key risks we identified and our conclusions.

Our Audit Results Report noted a total of five corrected and uncorrected errors. The four uncorrected errors were not material in aggregate.

Significant risk	Conclusion
<b>Misstatements due to fraud or error</b> The financial statements as a whole are not free of material misstatements whether caused by fraud or error. Senior 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.	We found no evidence in our testing that management had overridden controls.
<b>Inappropriate capitalisation of revenue expenditure</b> That the Council could try reduce the level of revenue expenditure charged to services by accounting for some of it as capital expenditure related to land, buildings and equipment and therefore funding from capital rather than revenue balances.	We found no evidence in our testing that management had accounted for revenue expenditure on services as capital spend relating to land, buildings and equipment.

# Financial Statement Audit

## Key Issues

Other areas of audit focus	Conclusion
<p><b>Valuation of other land and buildings and investment properties</b></p> <p>The Council owns £60 million of land and buildings.</p> <p>The valuation of these assets is a significant estimate, involving the use of a valuation expert and requires judgement from senior officers. A small error in judgement can have a big impact on the valuation.</p>	<p>Management identified that various assets had been misclassified in earlier years as community assets rather than other land and buildings.</p> <p>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 value of £0.</p> <p>Management treated this as a prior period adjustment and amended comparative information in the statement of accounts as a result. Although we agreed the nature of the error it did 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.</p>
<p><b>Pension liability valuation</b></p> <p>The Council's pension fund deficit is a material estimated balance which is disclosed on the Council's balance sheet based on information provided by the pension fund actuary.</p> <p>At 31 March 2019 this totalled £33.4 million.</p>	<p>Management obtained an updated actuarial valuation of the pension liability to reflect the impact of a national legal case impacting all council pension schemes as well as to reflect changes in the value of pension fund investment assets at year end compared to the estimates initially used by the actuary.</p> <p>Management decided not to amend the statements for these issues as they were immaterial in aggregate. The net defined pension liability would increase by £908,000 if these differences were corrected.</p>
<p><b>New accounting standards</b></p> <p>The Council had to implement two new accounting standards for 2018/19:</p> <ul style="list-style-type: none"> <li>▶ IFRS 9 - Financial instruments</li> <li>▶ IFRS 15 - Revenue from contracts</li> </ul>	<p>IFRS 9 - We noted that the Authority incorrectly showed a £109,000 valuation increase in respect of Available for Sale Financial Assets. Management decided not to amend this audit difference.</p> <p>IFRS 15 - Our audit procedures for revenue from contracts did not identify any issues. We agreed with the Council's conclusion that this standard does not have a material impact on their disclosures.</p>

# Financial Statement Audit

## Other Areas of Audit Focus (continued) Conclusion

### Impact of Covid-19

The Covid-19 pandemic has had a significant impact on the Council's finances.

As the 2018/19 financial statements were approved after the outbreak, the Council has been required to disclose in its accounts the impact of the pandemic on its income, expenditure and funds.

We identified the following areas of the financial statements and our audit which were impacted by Covid-19 :

1. Going concern assessment
2. Accounts disclosures

### Going concern assessment

There is presumption that the Council will continue as a going concern. However, the uncertainty over future government funding and other sources of Council revenue as a result of Covid-19 meant that the Council needed to undertake a more detailed assessment to support the presumption that the accounts be prepared on a going concern basis and evaluate its financial resilience. We scrutinised the Council's latest financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions and were satisfied that they supported the conclusion that there was not material uncertainty which required disclosure. Management also updated the disclosure on going concern in the financial statements to include additional information on the estimated impact of Covid-19 on the Council's future financial position.

### Accounts disclosures

For the 2018/19 statements, Covid-19 impacted disclosures only. We added an emphasis of matter paragraph in our audit opinion to highlight the disclosures in Note 1 Accounting Policies; policy a) General Principles and Note 6 Events after the Balance Sheet date, which describe the financial and operational consequences of COVID-19. Our opinion is not modified in respect of this matter.

## Financial Statement Audit (cont'd)

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.523 million which is 2% of gross revenue expenditure reported in the accounts.  We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £76,000.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.





## 04 Value for Money

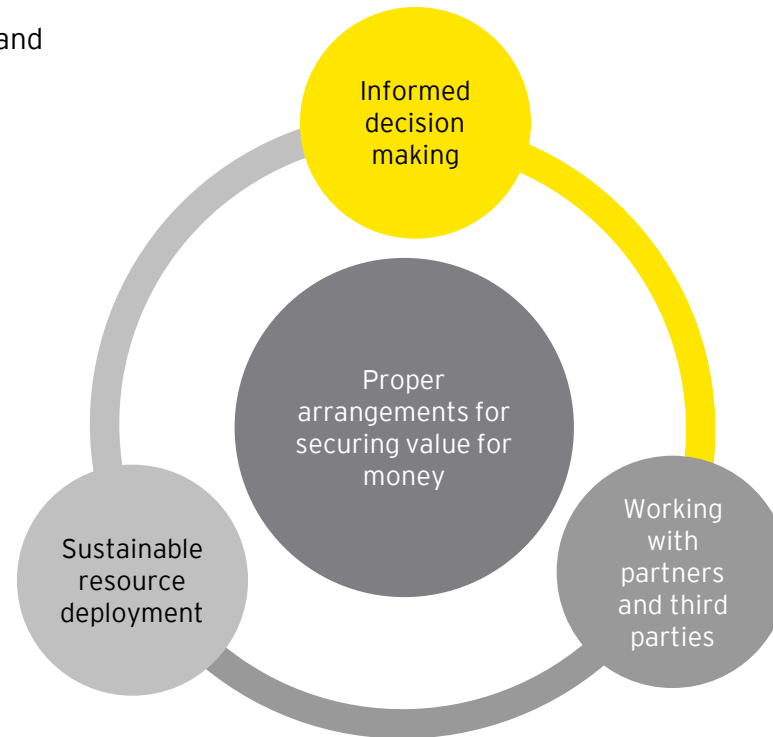
## Value for Money

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We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

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 our Audit Plan we did not identify any risks in relation to the value for money conclusion. We had no matters to report in respect of value for money in the auditor's report.



## 05 Other Reporting Issues



## Other Reporting Issues

### Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office (NAO) on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council falls below the NAO's threshold for auditor review.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the **Council** to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.



## Other Reporting Issues (cont'd)

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Governance Committee on 22 September 2020.

In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate significant deficiencies in internal control identified during our audit.

We adopted an audit approach which does not seek to rely on internal controls, and therefore did not test the operation of controls. -  
No weaknesses of internal control came to light from our work that we wish to bring to your attention.





06

## Focused on your future





## Focused on your future

The Code of Practice on Local Council Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IASB Conceptual Framework</b>	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local Council accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"><li>➤ new definitions of assets, liabilities, income and expenses</li><li>➤ updates for the inclusion of the recognition process and criteria and new provisions on derecognition</li><li>➤ enhanced guidance on accounting measurement bases</li><li>➤ enhanced objectives for financial reporting and the qualitative aspects of financial information.</li></ul> <p>The conceptual framework is not in itself an accounting standard. However, an understanding of concepts and principles can be helpful to preparers of local Council financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Council financial statements.</p> <p>However, Councils will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



07

## Audit Fees

## Audit Fees

In our Annual Results Report presented to the Audit and Governance Committee on 22 September 2020 we highlighted that due to the additional work we had undertaken to address risks identified we would seek to agree an additional fee with the Council's Section 151 officer. Any scale fee variations also need to be agreed by PSAA.

In the table below we summarise the fees that are agreed and proposed. The scale fee variations for the 2018/19 year are yet to be agreed by the s151 officer and are subject to further approval by PSAA.

	Proposed fee 2018/19	Planned fee 2018/19	Final Fee 2017/18
		£	£
Scale fee	41,406	41,406	53,774
Scale fee variations for overruns and additional audit work (Note 1)	6,000	-	5,446
<b>Total audit</b>	<b>47,406</b>	<b>41,406</b>	<b>59,220</b>
Housing Benefits Subsidy Claim	25,935	17,530	20,884
Pooling of Housing Capital Receipts Return	-	-	3,500
<b>Total other non-audit services</b>	<b>25,935</b>	<b>17,530</b>	<b>24,384</b>
<b>Total fees</b>	<b>73,341</b>	<b>58,936</b>	<b>83,604</b>

All fees exclude VAT

**Note 1** - The scale fee variation of £6,000 in respect of the 2018/19 audit is an estimate at the time of writing this Letter.

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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