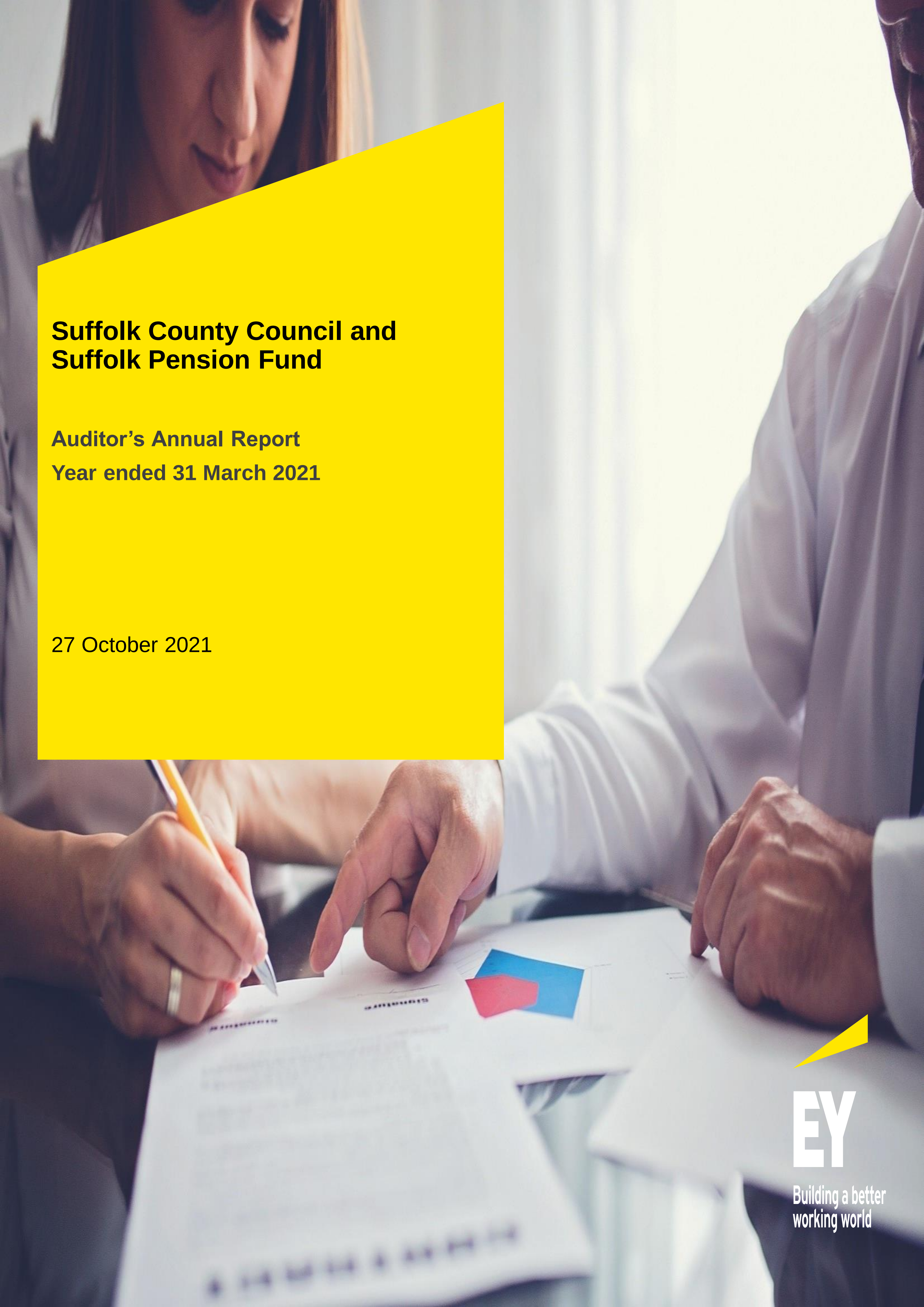

Suffolk County Council and Suffolk Pension Fund

Auditor’s Annual Report

Year ended 31 March 2021

27 October 2021

Building a better working world

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

The "Terms of Appointment and further guidance (updated 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 Committee and management of Suffolk County Council and Suffolk Pension Fund in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee and management of Suffolk County Council and Suffolk Pension Fund 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 Committee and management of the Council and Pension Fund for this report or for the opinions we have formed.

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 Hywel Ball, 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.

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit of Suffolk County Council

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	**Unqualified** – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Audit Report on the 29 September 2021.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	Financial information in the other information published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 05.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit of Suffolk Pension Fund

Area of work	Conclusion
Opinion on the Pension Fund's:	
Financial statements	**Unqualified** – the financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Auditor Report on the 29 September 2021.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	Financial information in the other information published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund Annual Report and other information published with the financial statements	Financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audits

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	**Suffolk County Council** - We issued our Audit Results Report on the 13 September 2021.
	Suffolk Pension Fund - We issued our Audit Results Report on the 8 September 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. We will complete this work in line with the instructions issued by the NAO when it is appropriate to do so. We will issue our Audit Certificate on completion of this work.

Fees

We carried out our audit of the Council's and Pension Fund's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the respective Audit Results Report we were required to carry out additional audit procedures. As a result, we will agree an associated additional fee with the Chief Finance Officer. We include details of the audit fees in Appendix A.

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

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

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

Responsibilities of the appointed auditor

Council audit - We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on the 2 March 2021 and the Audit Plan Addendum issued on the 8 September 2021.

Pension Fund audit - We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on the 1 March 2021.

We have complied with the NAO's 2020 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 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report (Pension Fund).

Reporting by exception:

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

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, and governance statement and the Pension Funds Annual Report and financial statements.

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

Section 3

Financial Statement Audit – Suffolk County Council

Financial Statement Audit – Suffolk County Council

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

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

On 29 September 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee on the 29 September 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit 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 did not identify 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 Fund's normal course of business.
Inappropriate capitalisation of expenditure Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.	• Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value; • Our sample testing of additions to Property, Plant and Equipment did not identify any revenue items that were incorrectly classified; and • Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Continued over.

Financial Statement Audit – Suffolk County Council (cont'd)

Significant Risk	Conclusion
Misstatements due to fraud or error – accounting adjustments made in the 'Movement in Reserves Statement' The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets. We consider the risk applies to accounting adjustments made in the movement in reserves statement.	• Our sample testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state; • Entries in the Movement in Reserves Statement were reconciled to other balances within the financial statements; • No issues were identified with the Council's application of the minimum revenue provision policy; and • Our data analytics work did not identify any inappropriate journal adjustments made in the movement in reserve statement.
Implementation of a new General Ledger (GL) System The Council implemented a new General Ledger (GL) system during the period. The Oracle Fusion system replaced the previous Oracle system in January 2021. As with any major IT upgrade programme, there is a risk that 100% of the relevant financial information has not been appropriately transferred to the new system, leading to material misstatement in the 2020/21 financial statements. There is also a risk that the new general ledger system does not map the transactions to the correct part of the financial statements.	• Our consistency checking of the mapping of the data provided in the new general ledger system reconciled to the statement of accounts. No discrepancies were identified; • No issues were identified with the 2019/20 comparator figures; • Our data analytical trending did not identify any material misstatements; • Our transaction testing applied to the Balance Sheet and Income & Expenditure statement did not identify any mapping discrepancies in the 2020/21 data; and • Our high-level review of the design and use of IT application controls within the new general ledger system did not identify any issues in the control environment.
Accounting for Covid-19 related Government grants The Council received government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in 2020/21.	• Our sample testing of Covid-19 grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied. • Following appropriate audit challenge, our work also did not identify any grants where Suffolk County Council's assessment of their role as 'agent' or 'principal' was inconsistent with other Councils.

Continued over.

Financial Statement Audit – Suffolk County Council (cont'd)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
Accounting for Academy School Transfers Schools have continued to convert to academy status since 2015/16. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.	• Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions; and • Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.
Valuation of Property, Plant & Equipment Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.	• We did not identify any issues with the Council's valuer, their scoping of work, professional capabilities or results of their valuation procedures; • Our sample testing of key asset information used in the valuations did not identify any issues; • Our testing of assets not subject to valuation in 2020/21 did not identify any material differences; • Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly; and • No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.
Pensions valuations and disclosures The Pension liability is a material balance in the Balance Sheet. 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) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	• We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated actuarial (IAS 19) report from the Actuary, we determined that the Council's Pension Fund Liability was overstated by £3.8 million. Management have decided not to adjust for this audit difference.

Continued over.

Financial Statement Audit – Suffolk County Council (cont'd)

Other area of audit focus	Conclusion
Going concern disclosures The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approved financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.	We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce the disclosures included within the draft financial statements. We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements

Continued over.

Financial Statement Audit – Suffolk County Council (cont'd)

Audit differences

There was one uncorrected misstatements identified as part of our audit that was greater than our reporting threshold.

As a result of our audit procedures under IAS19 in respect of the Pension Liability, we were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated actuarial (IAS 19) report from the Actuary, we determined that the Council's Pension Fund Liability was overstated by £3.8 million. Management decided not to adjust for this audit difference on the grounds of materiality and included in the letter of representation.

We identified a small number of misstatements in disclosures which management corrected.

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 £20.0 million as 1.8% 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 Committee that we would report to the Committee all audit differences in excess of £1.0 million.

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 Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts; and
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Section 4

Financial Statement Audit – Suffolk Pension Fund

Financial Statement Audit – Suffolk Pension Fund

We have issued an unqualified audit opinion on the Pension Fund's 2020/21 financial statements.

Key issues

The Annual Report and Accounts is an important tool for the Pension Fund to show how it has used public money and how it can demonstrate its financial management and financial health.

On 29 September 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee on the 29 September 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit 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 did 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 Fund's normal course of business.
Investment income and asset valuations – Investment Journals We have considered the key areas where management has the opportunity and incentive to specifically override controls that could affect the Fund Account and the Net Asset Statement. We have identified the main area being; • Investment Income and Asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings.	• Our testing did not identify any material misstatements within Investment Income or year end Investment Asset valuations. • We did not identify any material weaknesses in controls or evidence of material management override. • We did not identify any instances of inappropriate judgements being applied.

Continued over.

Financial Statement Audit – Suffolk Pension Fund (cont'd)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
Valuation of Complex Investments (Unquoted Investments) The Fund's investments include unquoted pooled investment vehicles, such as private equity and property investments. Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.	• There was a difference of £1.823 million identified between the valuation provided in the third party confirmation of one Fund Manager (Wilshire) and the one used to prepare the Pension Fund's draft financial statements. This arose following audit adjustments made by the Fund Manager, which were reflected in the valuations provided to EY, but not in those reported to the Pension Fund in the preparation of the draft financial statements due to a timing difference. This was not corrected by Management within the revised financial statements. • We did not identify any other issues in the completion of our work.
IAS 26 disclosure – Actuarial Present Value of Promised Retirement Benefits The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £4,728 million as at 31 March 2021. The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability. There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2021.	• We did not identify any issues with the competence of the actuary, Hymans Robertson. • There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant. • The disclosure of IAS 26 was in line with the relevant standards and the valuation provided by the Actuary.

Continued over.

Financial Statement Audit – Suffolk Pension Fund (cont'd)

Other area of audit focus	Conclusion
Going concern disclosures The Pension Fund is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approved financial statements. There is a risk that the Pension Fund's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.	We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce the disclosures included within the draft financial statements. We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements

Continued over.

Financial Statement Audit – Suffolk Pension Fund (cont'd)

Audit differences

There was one uncorrected misstatements identified as part of our audit that is greater than our reporting threshold:

- Investment Valuation - £1.823 million – A variance between the investment confirmation received from one Fund Manager (Wilshire) and the valuation in the draft financial statements in relation to this Fund Manager. This would result in an increase in the Fund's Net Asset value by £1.823 million. Management determined not to make these adjustment on the grounds of materiality.

Corrected misstatements

There were no corrected misstatements greater than £1.7 million identified during the course of our audit.

Disclosure misstatements

Our audit also identified a limited number of minor misstatements which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in both the Annual Accounts and Annual Report. We consider that only the following misstatements to be so significant as to merit bringing to your attention:

- The Going Concern disclosure note has been amended to ensure it details the period the Pension Fund's assessment covers, and that is clearly discloses the Fund's liquidity position. We have reviewed the disclosure and agree that it appropriately reflects Management's going concern assessment.

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 £33.9 million as 1.8% of net assets of the scheme reported in the accounts. We consider net assets of the scheme to be one of the principal considerations for stakeholders in assessing the financial performance of the Pension Fund.
Reporting threshold	We agreed with the Audit Committee that we would report all audit differences in excess of £1.7 million.

Section 5

Value for Money – Suffolk County Council

We did not identify any risks of significant weaknesses in the Council’s VFM arrangements for 2020/21.

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

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

Scope and risks

We have complied with the NAO’s 2020 Code and the NAO’s Auditor Guidance Notes in respect of VFM. We presented our VFM risk assessment to the 29 September 2021 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the senior officers and evaluation of associated documentation through our regular engagement with Council management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council’s VFM arrangements for 2020/21.

Reporting

We completed our planned VFM arrangements work in September and did not identify any significant weaknesses in the Council’s VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

VFM Commentary

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

- Financial sustainability
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

VFM Commentary

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and how financial plans have had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council identifies six main directorates; Adult and Community Services; Children and Young People; Public Health; Fire & Rescue Service and Public Safety; Growth, Highways and Infrastructure; and Corporate Services. Each Directorate Management Team (DMT) contains a Strategic Finance Lead. This Lead coordinates the compilation of financial pressures within the Directorate as part of the budget setting process through sessions with their respective DMT and the associated Service Leads. The Strategic Finance Lead feeds these to the Corporate Finance team who coordinate the information into the budget and associated Medium Term Financial Plan (MTFP). Pressures identified are reviewed and challenged, both by Finance, and then by the Corporate Leadership Team, to assess their accuracy, reasonableness and completeness. The financial planning process overall is Councillor-led as they decide the principles, policies and processes that underpin budget planning. The Cabinet report describes the Budget Strategy for 2021/22 and the outcomes of the budget consultation process. The Council's Scrutiny Committee performs a further review and challenge later in the process.

The management of financial risks outlined above is underpinned by robust budget estimates for 2021/22 that recognize the real pressures experienced by the Council. These are supported by effective financial policies and controls alongside strong financial and budgetary management.

Directorates have produced detailed budget estimates for expected cost pressures, and mitigating actions and savings, in 2021/22 and for the period of the MTFP, with these estimates reviewed and challenged by the Council's leadership.

Financial sustainability (continued)

2. How the body plans to bridge its funding gaps and identifies achievable savings

The 2021/22 budget was presented to Cabinet in February 2021. The Council was able to prepare a balanced budget for 2021/22 but identified cumulative budget gaps of £158.6 million across the period to 2024/25. The Head of Finance’s assessment was that the budget's estimates were robust and the Council’s reserves were adequate. However, a combination of the lack of a Local Government funding settlement beyond 2021/22, and the extremely challenging national and global situation caused by the pandemic, mean that the funding position is extremely uncertain by 2022/23, with the position made even more acute by continuing underlying demand pressures within Children’s Services and Adult Social Care. At present, without further substantial intervention, a significant budget gap will open up from 2022/23 that will need to be addressed in partnership with the Government and continuing active review of the Council’s finances.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Since setting this budget, the Council has been working at reducing this deficit. The initial phasing of the 2022/23 budget has reduced this cumulative deficit to below £100 million. This is as a result of Covid-19 grant funding and the Council' transformation programmes which seek to identify savings and mitigate demand in order to manage costs down, whilst maintaining levels of service provision. Also, as it emerges from the Covid-19 pandemic, the opportunities arising from associated changes in working patterns and service delivery are being considered with a view to making more permanent changes and realizing the associated efficiencies and ability to reduce costs.

3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council declared a ‘climate emergency’ in March 2019, and Cabinet agreed the associated Policy Development Panel recommendations in July 2020.

In line with July’s report, all business cases associated with the delivery of the reports recommendations will be considered by the Corporate Leadership Team, Capital Strategy Group, and Cabinet following an assessment of their impact on the Council’s financial position. Any decisions would be incorporated into the Council’s capital programme and budget as required. Moreover, all Cabinet decisions are obliged to consider the extent to which they impact onto the Council’s ambitions for carbon reduction.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability (continued)

The Council's budget and monitoring reports consider the sustainable delivery of services. The 2020/21 Revenue Budget was set in February 2020 following the a favourable Local Government Financial Settlement, enabling the Council to identify resources to cover expected cost pressures. However, delivery of the 2020/21 Revenue Budget required the mitigation of £11.5 million of costs through the delivery of the Council’s Transformation Programmes, and the containment of cost pressures within levels resourced. Particular areas of risk include the following areas that have experienced significant cost pressures in recent years:

a) Adult Social Care – Care Provision

b) Children’s Social Care – Corporate Parenting

c) Home-to-School Transport

d) Special Educational Needs & Disabilities (SEND)

Since the 2020/21 Revenue Budget was set, the Council has needed to respond to the impact of the Covid-19 pandemic. This has required significant changes to service provision at a substantial cost. Whereas the Government has provided sufficient additional funding to cover these costs in 2020/21, the ongoing impact for 2021/22 and beyond is more uncertain. In February 2021, the government published the final Local Government Finance Settlement: England 2021-22 but this only covers the 2021/22 period. This makes it difficult for Councils to forecast accurately for future periods.

In their 2021/22 Business Plan the Council introduced a fourth strategic priority around Covid-19 and the budget is built around the four priorities:

1. Living with Covid-19 and Suffolk’s Recovery;
2. Inclusive Growth;
3. Health, Care and Wellbeing; and
4. Efficient and Effective Public Services.

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council integrates the planning and approval of its revenue budget with capital programme and treasury management strategy, with the two reported on and approved within the same report. With regard to workforce, all planned changes with resource implications are reviewed and approved at a directorate level with input from the relevant Strategic Finance Lead. Any approved changes are incorporated into budgets and forecasts by the relevant Strategic Finance Lead and their team. The budget factors in staff headcount and proposed pay increases.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability (continued)

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Financial risks are reviewed quarterly by the Chief Finance Officer and Head of Corporate Finance as part of the corporate financial risk management process, with these featuring as appropriate in the commentary within quarterly budget monitoring reports and within budget setting. The Corporate Risk Register is presented to Audit Committee on a regular basis.

A key part of its financial risk management is the quantification of key financial risks (such as demand), and holding financial risk reserve holding an amount equivalent to the sum of these quantified figures. If required, an appropriate amount can be drawn down from this reserve should a particular risk be realised and there are no other mitigating actions that can reasonably be taken.

Once the budget has been agreed, Directorates are required to follow the Council's budgetary control policies where they are expected to manage in-year budget pressures within the sum-total of their resources. All underspends and overspends on directorate budgets are managed through the centrally managed reserves at the year-end, in line with the financial policies.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance

1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council undertakes an annual review of its high-level risks to assess their relevance and suitability and make recommendations to the relevant directorate and risk owner. The annual review is an opportunity to consider high-level risks at a cross-departmental level to moderate and assess appropriateness, balance and coverage for all significant issues facing the organisation and alignment to the Council's new business plan.

Throughout 2020/21 all high-level risks have been regularly reported and reviewed by senior management teams (at both corporate and directorate level). All high-level risks have been reviewed in response to the potential impact of Covid-19.

In March 2021, the Audit Committee endorsed a series of improvements to the risk management process. These recommendations followed a series of officer / Councillor workshops held in late 2020 to review the current risk management process.

A new Counter Fraud Strategy covering the period 2021/23 was developed and approved by the Corporate Leadership Team (CLT) in March 2021.

The 2020/21 Counter-fraud action plan was delivered including complying to all statutory requirements of the Cabinet Office' National Fraud Initiative exercise, fraud awareness training delivered, and investigations carried out in line with the Council's Fraud Response Plan.

2. How the body approaches and carries out its annual budget setting process

The Council's budget setting process starts in the early summer of the preceding year, with Strategic Finance Leads liaising with their associated Directorate Management Teams to identify pressures and potential savings and mitigations. Finance coordinate this information into an outline budget plan which is shared with both CLT and Cabinet, which included the implications for reserves, risks alongside the reporting of any associated budget gap.

An iterative process continues in the following months, where CLT and Cabinet will review and challenge Directorates, allowing the development a budget position by Finance which the Chief Finance Officer can support as being sustainable and deliverable. Scrutiny Committee then reviews the draft budget over the preceding winter, making recommendations for amendment as appropriate, with the Budget approved by Cabinet, and then Council, in the preceding January/February.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Each Directorate Management Team (DMT) includes a Strategic Finance Lead (SFL) as a full member. Each SFL also sits on the Finance Leadership Team, ensuring they are fully sighted on the S151's expectations and corporate requirements for production and communication of budgetary control information. In turn each SFL will disseminate this to the service leads sitting of DMTs, and coordinate the production of budget monitoring information (both financial and non-financial) using the finance systems in place. The Council is in the process of rolling out Oracle Fusion's Planning Based Cloud Service to facilitate this process further and ensure greater consistency and compliance.

Detailed budget monitoring reports are taken to Cabinet on a quarterly basis, covering both revenue and capital outturns.

4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Council's constitution requires that Cabinet takes key financial decisions (as specified). All Cabinet reports are signed off by the Chief Finance Officer (CFO), with the expectation that SFLs advise the CFO regarding the financial implications as part of this process. The constitution allows for any decisions to be called in by other councillors for further review. The Council also operates a Scrutiny Committee which sits apart from Cabinet whose principal remit is to challenge and review the Council's operations and associated decisions. Audit Committee has an overarching responsibility to ensure compliance with the Financial Regulations that form the basis for the proper implementation of decisions.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

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

The Leader of the Council is responsible for the development and approval of the policies, strategies and plans of the Council, except for those policies, strategies and plans within the policy framework which are subject to approval by the Council. The Cabinet is the decision-making body of the organisation. The Leader of the Council is the Chair of the Cabinet. All members of the Council have signed a register of interests, in line with the Council policy, the declarations can be found on the Council's website.

The Council's Internal Audit Service is responsible for providing oversight concerning compliance with the seven core principles of good governance (i.e. Nolan Principles) as outlined in the Annual Governance Statement. The Head of Internal Audit prepares and presents and Annual Internal Audit Plan and Annual Report to the Audit Committee. Update reports on risk based reviews are also presented to the Audit Committee. Alongside this the Council maintains registers for Gifts & Hospitality and Conflicts of Interests.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness

1. How financial and performance information has been used to assess performance to identify areas for improvement;

The Council prepare and present quarterly finance monitoring reports to Cabinet. These reports compare the performance of the Council against the budget, including treasury management performance.

The necessary focus of the Council’s activities in 2020/21 was to respond to the unprecedented challenges presented by the Covid-19 pandemic. As a consequence, its transformation programmes designed to deliver better outcomes whilst containing and reducing costs were largely put on hold. Nonetheless, the structure of the Council, with its comprehensive range of performance information, enhanced in recent years through the implementation of major systems developments such LiquidLogic, alongside its new Oracle Fusion application for its finances, provides a strong foundation for performance improvement moving forwards.

The Council's narrative report in the Statement of Accounts contains good practice details of the Council's performance during the financial period.

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council produces comprehensive performance reports quarterly which it shares with its Corporate Leadership Team. This includes a wide range of Key Performance Indicators which are scrutinised, in particular where performance is below expected levels, in order to ensure efforts are focused on improvement in the areas that require it. Detailed reports are then presented to Cabinet including explanations and actions for significant variances against the budget.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has a culture of engaging with significant partnerships through a wide range of connections, in particular governance boards and regular management meetings. These boards cover key performance matters, and identify areas of concern or areas that require improvement.

The Council's Business Plan for 2021/22 is built around partnership working. The Council are committed to working effectively with their partners across the Suffolk system, further integrating services and jointly funding posts. This is particularly the case within the Integrated Care System, where they are working closely with Health partners to share and align workforce planning as they continue to react to the pressures of Covid-19 and greater pressure within the care sector.

4. Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council has a dedicated procurement team that manages the commissioning and procurement of contracts throughout the Council. This team is trained and experienced to ensure that procurement is delivered in accordance with relevant legislation, professional standards and internal policies.

Contracts contain service performance measures which will broadly correlate with the KPIs associated with the service provision that is reviewed regularly through the quarterly performance reports, helping to enable poor contractual performance to be identified. The Council has a Procurement Rule Policy which set out the minimum requirements to be followed when undertaking a procurement process.

The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Forward look

Looking forward to 2021 and beyond

Although we did not identify any significant weaknesses in the Council's value for money arrangements there is one item in relation to financial sustainability that we wish to bring to your attention.

The Council have forecast significant budget gaps going forward. The 2021/22 Medium Term Financial Strategy identified a cumulative budget gap of £158.6 million up to 2024/25. The Chief Financial Officer has been open and transparent about the pressures faced by the Council and is working to reduce the forecast budget gaps. The Council have been prudent in their budget setting, especially in relation to future funding and taxation income. The Council has managed to deliver an underspend in their 2020/21 outturn and have prepared a balanced budget for 2021/22. The Council are proactively working on the 2022/23 budget and have already halved the originally identified planned budget gap since the 2021/22 budget was prepared. The Council currently hold a significant level of unallocated reserves, £72.5 million as at 31 March 2021, which will assist in dealing with spending pressures over the short-term.

We will continue to monitor this key issue in future financial years.

Section 6

Other Reporting Issues

Other Reporting Issues

Governance Statement

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

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

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued. We will liaise with the Council to complete this work as required.

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.

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.

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Suffolk Pension Fund Annual Report with the audited financial statements. We reviewed the Pension Fund Annual Report and were satisfied that it was consistent with the financial statements.

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 to you significant deficiencies in internal control identified during our audit.

We adopted a fully substantive approach and have therefore not tested the operation of controls.

Appendix A

Audit Fees

Audit Fees – Suffolk County Council

Our fee for 2020/21 is in line with the audit fee reported in our Annual Results Report presented to the Audit Committee on the 29 September 2021.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	69,699	69,699	69.699
Fee Variation	TBC (Note 2)	-	31,416 (Note 1)
Revised Scale Fee	**TBC**	**69,699**	**101,115**

Note 1 – PSAA Ltd determined the Fee Variation on 22 October 2021.

Note 2 – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards and the financial reporting impact of Covid-19, as we set out in our Audit Results Report. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

Audit Fees – Suffolk Pension Fund

Our fee for 2020/21 is in line with the audit fee reported in our Annual Results Report presented to the Audit Committee on the 29 September 2021.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	19,270	19,270	19,270
Fee Variation	TBC (Note 2)	-	12,800 (Note 1)
Revised Scale Fee	**TBC**	**40,024**	**32,070**
Fee in relation to IAS 19 procedures on behalf of Admitted bodies	8,000	-	12,000

Note 1 – PSAA Ltd determined the Fee Variation on 22 October 2021.

Note 2 – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Pension Fund and additional work to address increase in Regulatory standards and the financial reporting impact of Covid-19, as we set out in our Audit Results Report. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

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