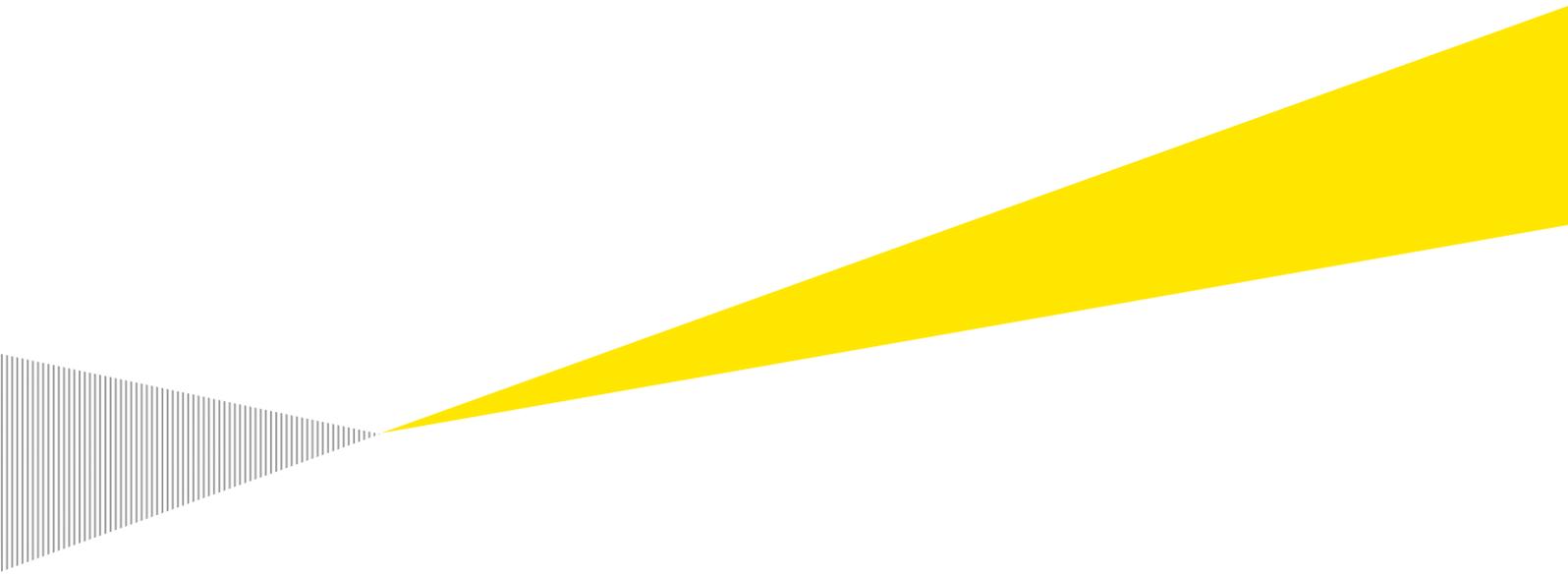


Suffolk County Council

Year ending 31 March 2013

Annual Audit Letter

31 October 2013



Building a better
working world

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The Members
Suffolk County Council
Endeavour House
8 Russell Road
Ipswich
IP1 2BX

31 October 2013

Dear Members,

Annual Audit Letter

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

We have already reported the detailed findings from our audit work to those charged with governance of Suffolk County Council in the following reports:

2012/13 Audit results report for Suffolk County Council	Issued 16 September 2013
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2012/13 Audit results report for the Suffolk Pension Fund	Issued 16 September 2013
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The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank the officers of Suffolk County Council for their assistance during the course of our work.

Yours faithfully

Neil Harris
Director
For and behalf of Ernst & Young LLP
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (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. 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.

1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 21 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes 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.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Suffolk County Council and its group and Suffolk Pension Fund for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 30 September 2013 we issued an unqualified audit opinion in respect of the Council and its group.
	On 30 September 2013 we issued an unqualified audit opinion in respect of the Pension Fund.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 30 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Council (the Audit Committee) communicating significant findings resulting from our audit.	On 16 September 2013 we issued our report in respect of the Council.
	On 16 September 2013 we issued our report in respect of the Pension Fund.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 4 October 2013.
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 complies with CIPFA / SOLACE guidance.	No issues to report.

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.

No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.

No issues to report.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 4 October 2013 we issued our audit completion certificate.

Issue a report to those charged with governance of the Council summarising the certification (of grant claims and returns) work that we have undertaken.

In February 2013 we issued our annual certification report to those charged with governance with respect to the 2011/12 financial year. We are currently completing our certification work for the 2012/13 financial year.

2. Key findings

2.1 Financial statement audit

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 30 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was very good.

The main issues identified as part of our audit were:

Significant financial statement risk: Changes of school status to academies

We identified a significant risk in our audit plan relating to schools that had continued to convert to academy status during 2012/13. This had implications for the treatment of the schools' property, plant and equipment, debtors, creditors, cash, balances and income (including dedicated schools grant) and expenditure within the Council's accounts. There was a risk that these schools' transactions and balances may be either incorrectly included or omitted.

Sufficient assurance was obtained from audit procedures undertaken to conclude that the financial statements were not materially misstated in respect of accounting for the conversion of schools to academy status. There were no issues arising from this work.

Other financial statement risk: Risk of misstatement due to fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

We have designed and implemented appropriate procedures to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. There were no issues arising from this work.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 30 September 2013.

The main issues identified as part of our value for money conclusion work were:

Significant value for money risk: Procurement and contract management of outsourced services

A significant risk was noted in our audit plan as the Council had outsourced a number of services and was in the process of procuring other outsourcing arrangements. Managing outsourced services and procuring appropriate arrangements going forward represents a significant challenge for the Council and brings both financial and reputational risks.

Sufficient assurance was obtained from procedures undertaken to conclude that an unqualified value for money conclusion could be given.

Other value for money risk: Medium term financial planning

A risk was noted in our audit plan relating to achievement of the Medium Term Financial Strategy (MTFS) and associated savings, whilst maintaining service delivery. We reviewed the MTFS as part of our 2012/13 value for money conclusion work.

Sufficient assurance was obtained from procedures undertaken to conclude that an unqualified value for money conclusion could be given.

2.3 Whole of government accounts

We reported to the National Audit office on 4 October 2013 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.4 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 complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

2.5 Certification of grants claims and returns

We presented our Annual Certification Report for 2011/12 to those charged with governance in February 2013.

During the period August 2012 to October 2012, the Audit Commission's Audit Practice certified one return relating to the Teachers' Pension Scheme with a total value of £36,514,384. This work was completed prior to EY being appointed auditor.

Audit work on the School Centred Initial Teacher Training scheme was not started by the Audit Commission's Audit Practice by 31 October 2012. This claim, with a total value of £2,929,737 was completed and certified by EY as noted above.

Of the claims certified, one was both qualified and amended. The amendments changed figures reported in the School Centred Initial Teacher Training scheme accounts but did not materially affect the grant due to the Council.

All deadlines for submission of certified claims/returns were met.

We will issue the Annual Certification Report for 2012/13 in January 2014.

2.6 Audit fee

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the Council's audit detailed in our audit plan was £120,690, together with an estimated fee of £11,450 for the certification of claims. This fee was predicated on the Council preparing financial statements for audit which are free from material error and which are supported by good quality working papers.

We are not able to report our final fee position within this letter as our fee may be higher than the proposed audit fee which was set at the Audit Commission's scale fee. This is because our audit identified a number of issues which have required significant additional audit resources to resolve. These issues were reported within our Audit Results Report. We are in the process of discussing our proposed audit fee with officers and the Audit Commission and will report on this when it is finalised.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we communicate significant deficiencies in internal control to those charged with governance at the Council as required.

There are no matters of sufficient importance to merit being reported.

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