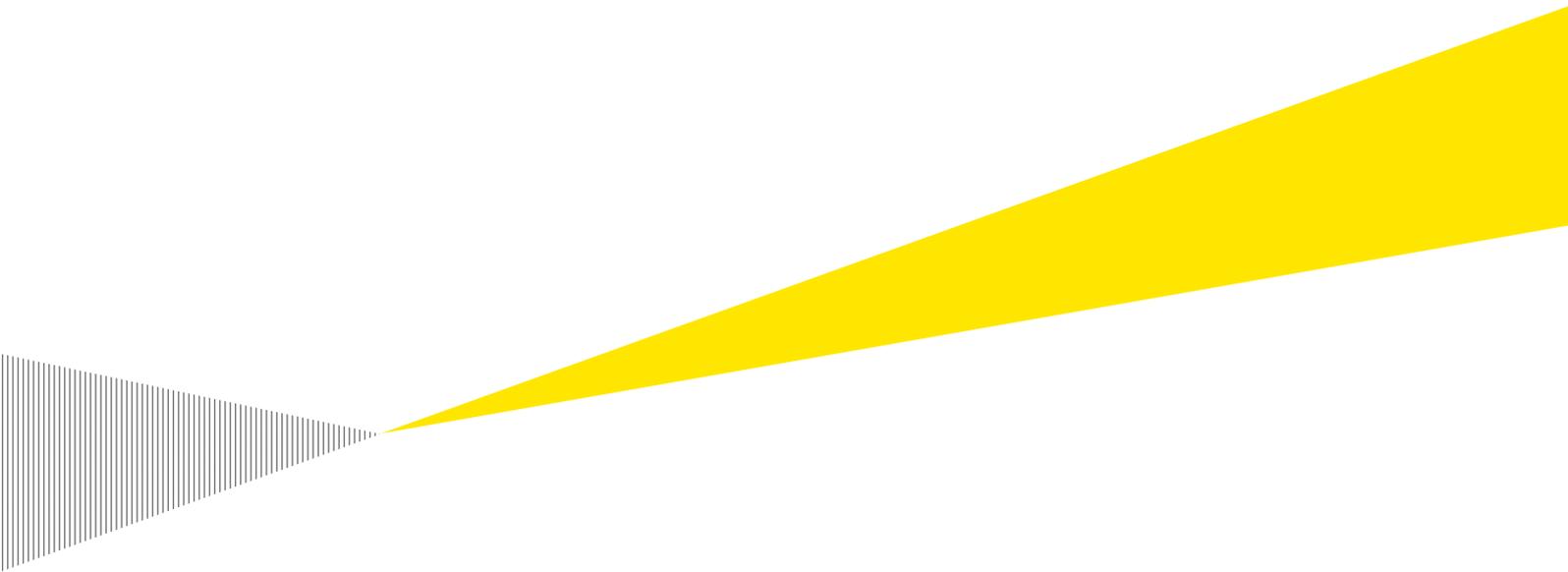


Annual Audit Letter

Suffolk County Council

10 October 2014



Building a better
working world

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

10 October 2014

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:

2013/14 Audit results report for Suffolk
County Council

Issued 12 September 2014

2013/14 Audit results report for the Suffolk
County Council Pension Fund

Issued 22 September 2014

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 A Harris
For and on behalf of Ernst & Young LLP
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Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 28 February 2014 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 Pension Fund for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)

On 30 September 2014 we issued an unqualified audit opinion in respect of the Council.

On 30 September 2014 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 2014 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 12 September 2014 we issued our report in respect of the Council.

On 22 September 2014 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 30 September 2014.

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 30 September 2014 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.	On 23 January 2014 we issued our annual certification report to those charged with governance with respect to the 2012/13 financial year.

Key findings

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 2014.

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

The main issues identified as part of our audit were:

Significant risk 1: Management override

Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

No issues to report

Significant risk 2: Property, plant and equipment

Schools have continued to convert to academy status during 2013/14. This has implications for the treatment of the schools' property, plant and equipment and other balances within the Council's accounts. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.

In our 2012/13 audit, we reported an unadjusted error of £1.084m relating to understatement of property, plant and equipment. There is a risk that the property, plant and equipment balance may be incorrectly stated.

No issues to report

Significant risk 3: Pensions accounting

The Council operates a defined pension scheme. Accounting for the scheme involves significant estimation and judgement. As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund future deficits.

No issues to report

Significant risk 4: Localisation of business rates

There have been significant changes in the arrangements for business rates from April 2013. One of the main changes is that individual councils now need to provide for rating appeals. Councils may find it difficult to obtain sufficient information to establish a reliable estimate.

No issues to report

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 2013/14 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 2014. Our audit did not identify any significant matters.

Whole of government accounts

We reported to the National Audit office on 30 September 2014 the results of our work performed in relation to 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.

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.

Certification of grants claims and returns

We presented our Annual Certification Report for 2012/13 to those charged with governance on 18 March 2014. We certified one claim, relating to a local transport plan, and one return, relating to teachers' superannuation, in total worth £40.2 million.

We found minor errors on the teachers' superannuation return which officers agreed to amend. The return was certified and a qualification letter submitted noting an error in respect of the date of opting in to the scheme in a case tested.

We found no errors on the local transport plan claim. We certified the claim with a qualification in respect of a lack of sufficient audit evidence to support one payment made from the Council to its in-house trading unit, Suffolk Highway Contracting.

We will issue the Annual Certification Report for 2013/14 in January 2015.

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 of internal control we communicated to those charged with governance at the Council, as required, significant deficiencies in internal control.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have discussed with management improvements that can be made to the Council's internal controls and procedures for revaluing assets and reconciling records, particularly in respect of leases from the property system, known as K2, to the Oracle Fixed Asset Register.

Fees

	Planned Fee 2013-14	Actual Fee 2013-14
Total Audit Fee – Code work	£120,690	£120,690

	Planned Fee 2013-14	Revised Fee 2013-14
Certification of claims and returns	£4,000	£5,865

Explanation of variance

The 2013/14 planned fee is set by the Audit Commission based on the fee charged for 2011/12, adjusted to reflect the overall 40% reduction in fees and the reduction in the number of claims that require auditing.

The certification requirement for the Initial Teacher Training claim was removed for 2013/14 and the fee of £4,000 as shown in our audit plan will be refunded to the Council.

A Transport for the 21st Century claim will require certification in 2013/14. The estimated fee for this claim of £5,865 is shown in the revised fee column above.

Non audit work	£50,000	£64,750
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In our audit plan we included a fee of £50,000 for non audit work relating to specialist advice on road tolling at the request of the Council.

In 2013/14 we will also undertake agreed upon procedures outside the scope of our audit work on the Council's initial teacher training claim at the request of the Council, as certification instructions for this work are no longer provided by the Audit Commission. The figure shown for 2013/14 is an estimate and our final fees will be confirmed following determination of the scope of work required on the 2013/14 claim and the completion of this work. The estimated fee for this claim of £14,750 is shown in the revised fee column above.

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