Suffolk County Council

Year ending 31 March 2016

Audit Plan

May 2016

Ernst & Young LLP

Building a better working world

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Tel: + 44 1223 394 400
Fax: + 44 1223 394 401
ey.com

Audit Committee
Suffolk County Council
Endeavour House
8 Russell Road
Ipswich
Suffolk
IP1 2BX

3 May 2016

Dear Committee Members

Audit Plan

We are pleased to attach our updated Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This updated plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this updated Audit Plan with you on 18 May 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson
For and behalf of Ernst & Young LLP
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ''Statement of responsibilities of auditors and audited bodies 2015-16'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. 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. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Suffolk County Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Waste treatment plant Private Finance Initiative (PFI) Valuation	
The Council entered into a PFI contract with SITA Suffolk Ltd to build and operate an energy plant from a waste facility at Great Blakenham. The plant was completed and became operational in December 2014. The Code requires that the PFI asset, the related PF liability, and income and expenditure arising from the contract are recognised in the Council's accounts from the date the asset becomes operational and service provision commences in accordance with IFRIC 12. There is a risk that the transactions and balances relating to the PFI contract in 2015/16 may be incorrectly valued.	Our approach will focus on: ► reviewing the information provided to the specialist PFI Valuer; ► undertaking procedures to ensure we can rely on the Valuer as management's expert; ► using an Auditor's expert to review the figures provided by the Management's expert to ensure they are reasonable; and ► reviewing the accounting entries for 2015/16 in relation to the PFI plant.
Accounting for fixed assets	
Fixed assets represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.	Our approach will focus on: ► the valuation expertise used by the Council; and ► consideration of any revaluations in year, the basis of valuation of significant assets and any significant changes in use to ensure they remain appropriate if circumstances change.
Pension valuations and disclosures	
The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement. Due to the nature, volume and size of the transactions we consider this to be a significant risk. However, the Council does not have a history of any issues in accounting for their pension scheme.	Our approach will focus on: ► the actuarial expertise used by the Council; ► assessing the conclusions drawn on the work of the actuary by the Consulting Actuary to the PSAA, PwC; ► reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19; and ► assessing the reasonableness of the estimations and judgements used.

Risk of fraud in revenue recognition	
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. 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. For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition.	Our approach will focus on: ► reviewing and testing revenue and expenditure recognition policies; ► reviewing and discussing with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ► developing a testing strategy to test material revenue and expenditure streams; ► reviewing and testing revenue cut-off at the period end date; and ► reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Risk of management override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: ► testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► reviewing accounting estimates for evidence of management bias, and ► evaluating the business rationale for significant unusual transactions.

Other financial statement risks

Academies	
Schools have continued to convert to academy status during 2015/16. This has 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 is a risk that these schools' transactions and balances may be either incorrectly included or omitted.	Our approach will focus on: ► the arrangements for agreeing with the schools the assets, liabilities and balances for transfer; and ► reviewing how the transfers have been accounted for.
Group structure	
The Council has acquired new subsidiaries during the year and as a result is restructuring its subsidiary group of companies. Production of statements and disclosure notes for the group accounts and the closedown and consolidation process therefore presents a financial statements risk.	Our approach will focus on: ► assessing the group boundary and the significance of the components to the group accounts; ► if required, liaising with the auditors of the significant component companies; and ► ensuring that appropriate consolidation procedures are applied when consolidating the Group into the Suffolk County Council group accounts.

The Better Care Fund (BCF)	
The Better Care Fund (BCF) is a major policy initiative between local authorities, clinical commissioning groups (CCGs) and NHS providers with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. The BCF has been set up as pooled budget between local government and NHS partners using powers available under pre-existing legislation from 1 April 2015. The partners use the pooled fund to jointly commission or deliver health and social care services at a local level. The Council has an agreement in place and this was signed by 1 April 2015. The Council is the host body for the BCF. The Council has a savings requirement of £4.1 million to be delivered through a transfer under the Better Care Fund from the three CCGs in Suffolk. This is to be achieved by a combination of savings measures put in place by the CCGs, a reduction in hospital admissions for non-elective (emergency) care, and a guaranteed funding transfer agreed with one of the CCGs. At this stage, only £1.5 million of the £4.1 million is expected to be transferred to the Council in 2015/16, resulting in a budget shortfall of £2.6 million. This year will be the first time the BCF will be accounted for in the Council's financial statements.	Our approach will focus on: ► reviewing and evaluating the Council's assessment of whether the BCF meets the requirements for a joint arrangement under the Code and International Financial Reporting Standard (IFRS) 11; and ► reviewing the BCF disclosures and accounting entries back to supporting documentation, ensuring that the Council has accurately accounted for their portion of the BCF in the 2015/16 financial statements.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has 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.

Based on the requirements of auditing standards our approach will focus on:

- Identifying fraud risks during the planning stages;
- Enquiry of management about risks of fraud and the controls to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- Determining an appropriate strategy to address any identified risks of fraud, and,
- Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
For 2015-16 this is based on the overall evaluation criterion:

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

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

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

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

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risks which we view as relevant to our value for money conclusion.

Significant value for money risks	Our audit approach
Sustainable resource deployment: Achievement of savings needed over the medium term	
To date the Council has responded well to the financial pressure resulting from the continuing economic downturn. However, the Comprehensive Spending Review will continue to impact on the Council's budget and medium term financial planning during current and forthcoming financial years. The Council is currently predicting a £80.6 million budget gap to 2017/18 and has a number of service transformation programme plans to achieve the required savings in the medium term. It is clear that the Council is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for current and future years.	Our approach will focus on: ► the adequacy of the Council's budget monitoring process, comparing budget to outturn; ► the robustness of any assumptions used in medium term planning; ► the Council's approach to prioritising resources whilst maintaining services; and ► the savings plans in place, and assessing the likelihood of whether these plans can provide the Council with the required savings/efficiencies over the medium term.

Contract management of outsourced services	
The Council has undertaken a number of divestments and is responsible for managing contracted services in excess of half the Council's total external spend. The number of contracts to be managed represents a significant challenge for the Council and brings both financial and reputational risks.	Our approach will focus on: ► drawing on and updating our knowledge and understanding of arrangements in place following our detailed review of this area in prior years; ► the adequacy of the Council's arrangements for managing the risks relating to outsourced services; and ► the robustness of the Council's contract management arrangements.

We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- Financial statements
- Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;

2. **Arrangements for securing economy, efficiency and effectiveness (value for money)**

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Our audit involves:

- Assessing the key internal controls in place and testing the operation of these controls
- Review of the work of Internal Audit
- Reliance on the work of other auditors where appropriate
- Reliance on the work of experts in relation to areas such as pensions and property valuations and PFI accounting
- Substantive tests of detail of transactions and amounts.
- Our involvement in the work done by component auditors (detailed in Appendix C)

Processes

Our initial assessment of the key procedures across the entity has identified the following key processes where our intended strategy, following confirmation received that IT general controls are operating satisfactorily, is to seek to test key controls, both manual and IT:

- Accounts receivable

- Accounts payable

Property, plant and equipment, financial statement close processes including journals, investments, treasury management, payroll, social care expenditure and cash balances will be tested substantively at year end.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests

- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, plant and equipment	Concertus and Lambert Smith Hampton (Suffolk County Council's property valuers)
PFI valuation	Gerald Eve, EY Valuation team
PFI accounting disclosures	Arlingclose (PFI technical adviser)
Pensions	EY Pensions Advisory, PwC (Consulting Actuary to the PSAA) and Hymans Robertson (Suffolk Pension Fund actuary)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source date is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements' of the Council is £11.071 million based on 1% of gross expenditure. We will communicate uncorrected audit misstatements greater than £0.554 million to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 How materiality is applied to the component locations

We determine component materiality as a percentage of Group materiality based on risk and relative size to the Group. We will undertake this process once our scoping procedures on the group structure are finalised.

4.6 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Suffolk County Council is £90,518.

We have undertaken additional work in respect of the changes to the Council's minimum revenue provision policy in 2015/16. Final fees for this work will be confirmed following agreement with officers and confirmation from PSAA.

Non audit fees

In 2015/16 non audit work is being carried out relating to specialist advice on the PFI waste plant heat offtake work and specialist advice regarding refinancing proposals for the PFI waste plant at the request of the Council. The fees and final scope for this work are currently being confirmed.

Additionally, we expect to undertake work on the Teachers' Pension return in 2015/16 at the request of the Council. At this stage, our proposed fees for agreed upon procedures work for certification arrangements on the Council's Teachers' Pensions return are £10,000. The agreed upon procedures fees are estimates and final fees will be based on the level of work required for 2015/16.

4.7 Your audit team

The engagement team is led by Mark Hodgson, who has significant experience of county council and other local government audits. Mark is supported by Tina Meyer (Senior Manager) who is responsible for the day-to-day direction of audit work and is the key point of contact for the chief accountant.

4.8 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	**February 2016**		
Risk assessment and setting of scopes	**February – March 2016**	**March 2016**	Audit Plan
Testing routine processes and controls	**February – April 2016**	**May 2016**	Progress Report if required Updated Audit Plan
Year-end audit	**June - July 2016**		
Completion of audit	**July 2016**	**September 2016**	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	**October 2016**	**November 2016**	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
► The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence.	► A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that we are independent; ► Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ► An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, there are no non-audit fees. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

The table below sets out the other threats that exist as the date of this report.

Description	Related independence threat	Period provided/ duration	Safeguards adopted and reasons considered to be effective
A close family member of one of the audit team was employed by the Council for the period 2012 - 2015.	The audit team member is involved in the 2015/16 audit.	From 2012 to November 2015.	The threat is not considered to be significant as the Council employee did not work in a finance role or in an area that is material or core to our financial statements audit. Therefore no additional safeguards are needed.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, the audit engagement Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	90,518*	90,518	147,661	The reduction in the opinion scale fee reflects the savings and reductions in overheads from the Audit Commission/PSAA procurements awarded in 2014
Total Audit Fee – Code work	**90,518**	**90,518**	**147,661**	Additional fees of £26,971 in excess of the scale fee of £120,690 were charged in 2014/15 for work on the PFI plant
Non-audit work **	TBC	-	20,784	See details below

All fees exclude VAT.

Note 1 - * We have undertaken additional work in respect of the changes to the Council's Minimum Revenue Provision (MRP) policy in 2015/16. Final fees for this work will be confirmed following agreement with officers and confirmation from PSAA.

Note 2 - ** Our fees for non-audit work on heat offtake regarding the PFI waste plant and work on refinancing of the PFI waste plant requested by the Council are currently being determined (2014/15 actual fees £10,784 on non-audit work in respect of the PFI). Our proposed fees for agreed upon procedures work for certification arrangements on the Council's Teachers' Pensions return were.

We are currently undertaking agreed upon procedures work on the Council's Transport for the 21st Century claim for 2014/15 and this work is not included in the table above as fees are to be confirmed following the conclusion of our work.

The agreed fee presented above is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process	► Report to those charged with governance
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	► Report to those charged with governance
Fraud ► Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	► Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	► Report to those charged with governance
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	► Report to those charged with governance
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	► Report to those charged with governance

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	► Audit Plan ► Report to those charged with governance
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	► Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	► Report to those charged with governance
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	► Audit Plan ► Report to those charged with governance ► Annual Audit Letter if considered necessary
Group audits ► An overview of the type of work to be performed on the financial information of the components ► An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ► Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ► Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit Plan

Appendix C Detailed scopes

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK and Ireland).

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

- **Full scope**: locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the Group audit team for the purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).
- **Specific scope**: locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Group audit team.
- **Specified procedures**: specified procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.

Our audit approach is risk based and following an assessment of the risks presented by the significant component company within the Suffolk County Council group, we will adopt a preliminary audit scope to enable us to report on the group accounts.

We are reviewing the updated group structure of the subsidiary companies. Once this is complete we will determine the audit scope for the subsidiary and update the Audit Committee in this respect.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com