

## Audit Committee

**Time:** 2pm  
**Date:** Thursday 14 October 2021  
**Venue:** Council Chamber, County Hall,  
Martineau Lane, Norwich NR1 2DH

### Supplementary Agenda

- 6 Norfolk County Council Audit Plan Addendum, Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2021** Page **A2**

#### Appendix 2A

Report by the Executive Director of Finance & Commercial Services.

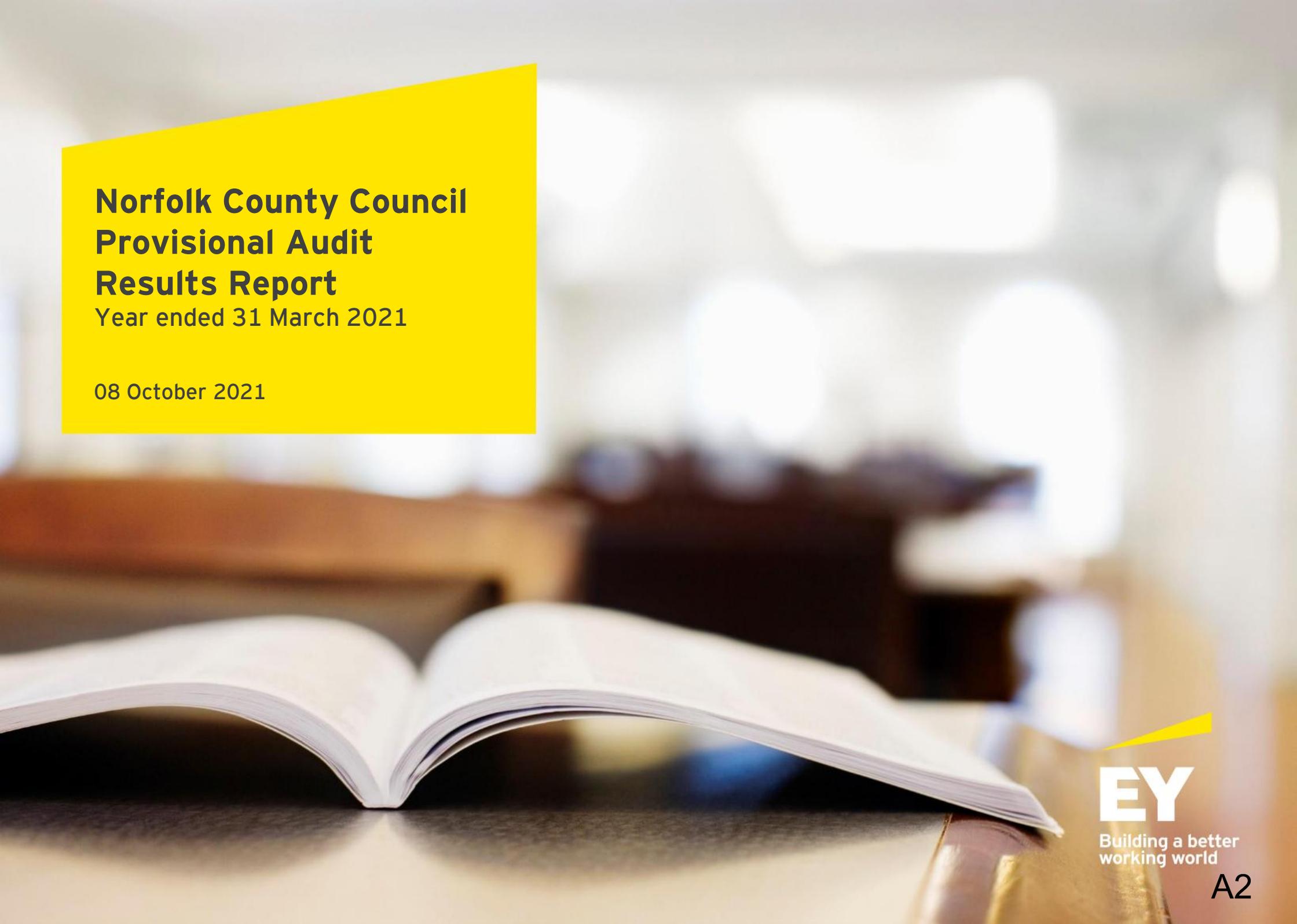
- 7 Audit Letters of Representation 2020-21** Page **A65**

This appendix 1 replaces appendix 1 in the previously published agenda at pages 107-114.

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Date Supplementary Agenda circulated: 11 October 2021



**Norfolk County Council  
Provisional Audit  
Results Report**

Year ended 31 March 2021

08 October 2021



**EY**

Building a better  
working world

A2



Audit Committee  
Norfolk County Council

08 October 2021

Dear Audit Committee Members:

**2020/21 Audit Results Report**

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Norfolk County Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included our findings in respect of our work on the Council's Value for Money arrangements.

This report is intended solely for the information and use of the Audit Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on the 14 October 2021.

Yours faithfully

*MARK HODGSON*

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

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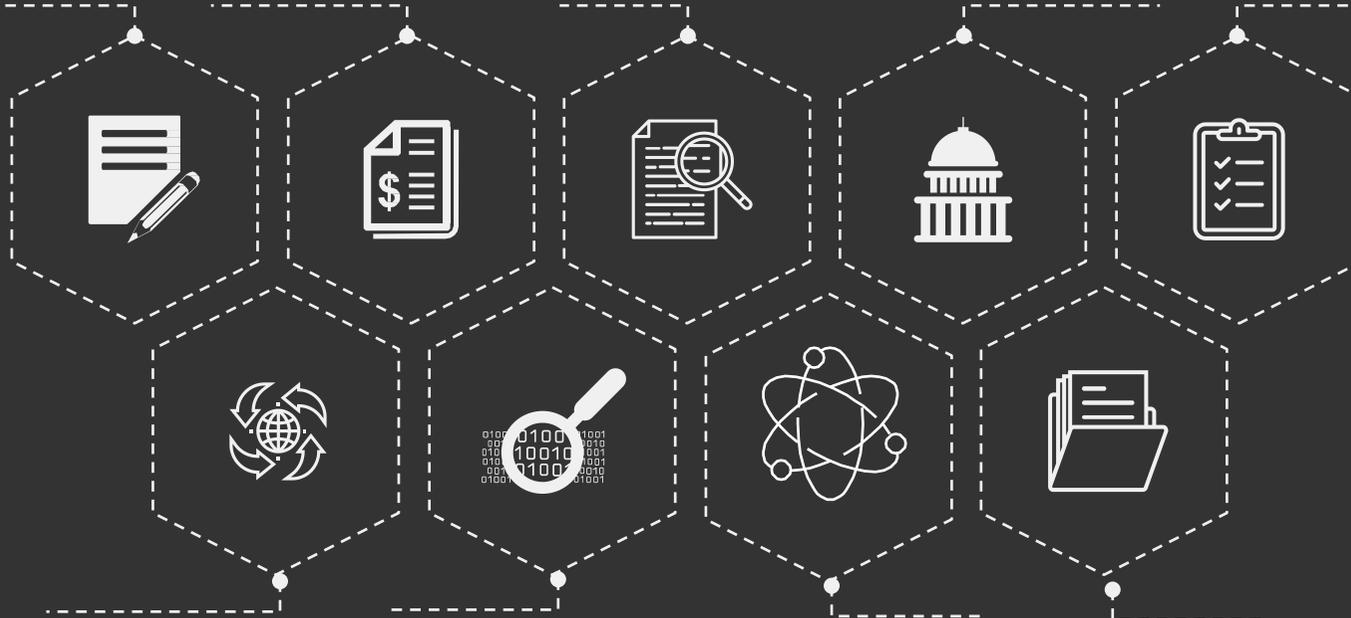
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 Norfolk County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Norfolk County Council 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 Norfolk County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary

## Scope update

In our Provisional Audit Plan dated the 30 March 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ **Changes in materiality:** In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £26.5 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £28 million. This results in updated performance materiality, at 75% of overall materiality, of £21 million, and an updated threshold for reporting misstatements of £1.4 million.
- ▶ **Additional Significant Risk:** In June the Council changed their methodology in how they calculate estimated useful life as part of the depreciated replacement cost valuations. As this is a change in estimate which effects assets with a carrying value of £409 million worth of assets we designated our response as a significant risk.
- ▶ **Additional inherent risk and change in group performance materiality:** We included group performance materiality in our Provisional Audit Plan set at 50% of materiality. This was based on the IFRS 16 unadjusted differences from prior year. We have considered this further and as this is a specific issue we have increased performance materiality to 75% and recognised an inherent risk over the group consolidation process.
- ▶ **Change in inherent risk:** In our Provisional Audit Plan we highlighted going concern as an inherent audit risk. We have amended the risk to an 'area of audit focus' as we did not identify any specific material issues in relation to the Council's ability to continue as a going concern through our planning work.

## Changes to reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

## Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

**Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

# Executive Summary

## Status of the audit

Our audit work in respect of the Council's opinion is nearing completion. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Completion of procedures in relation to the Pension Liability;
- ▶ Group Accounts work;
- ▶ Property, Plant and Equipment and Investment Property valuation;
- ▶ Journals;
- ▶ Employee costs;
- ▶ Accounts payable and accounts receivable testing;
- ▶ Disclosures - Note 5, Note 11 and Note 14;
- ▶ Grants testing;
- ▶ Other Income and expenditure testing;
- ▶ Receipt of one outstanding bank confirmation;
- ▶ Going Concern assessment review and disclosure note;

### Closing Procedures:

- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review;
- ▶ Receipt of the signed management representation letter;
- ▶ Final Manager and Engagement Partner reviews; and
- ▶ Whole of Government Accounts procedures.

Subject to satisfactory completion of the outstanding items above, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3.

However until work is complete, further amendments may arise. We expect to issue the audit certificate after we issue the audit opinion, once the WGA submission has been completed.

# Executive Summary

## Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **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.
- **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.

## Status of the audit - Value for Money

In the Audit Plan Addendum dated 6 October 2021, we reported that we had completed our Value for Money (VFM) risk assessment and had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary by the end of November 2021 as part of issuing the Auditor's Annual Report. Our provisional wording for the VFM Commentary is included at Appendix G of this report.

## Audit differences

### Uncorrected differences

At the date of this report there are no unadjusted audit differences.

### Corrected differences

At the date of this report we have identified a limited number of minor disclosure amendments in the draft financial statements which management have chosen to adjust. We have judged that none of these adjustments warrant flagging to the Audit Committee in this report.

# Executive Summary

## Areas of audit focus

In our Provisional Audit Plan we identified a number of key areas of focus for our audit of the financial report of Norfolk County Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

### **Management Override: Misstatements due to fraud or error**

- *At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.*

### **Management Override: Inappropriate capitalisation of revenue expenditure**

- *We have completed our work in this area and have no matters to report.*

### **Management Override: Accounting adjustments made in the 'Movement in Reserves Statement'**

- *We have completed our work in this area and have no matters to report.*

### **Significant Risk: Accounting for Covid-19 related grant funding**

- *At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.*

### **Significant Risk: Change of methodology for assets valued at depreciated replacement cost**

- *At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.*

### **Inherent Risk: Accounting for schools that convert to 'Academy' status**

- *We have completed our work in this area and have no matters to report.*

### **Inherent Risk: Valuation of Property, Plant, and Equipment**

- *At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.*

### **Inherent Risk: Pensions valuations and disclosures**

- *At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.*

### **Inherent Risk: Group Consolidation**

- *At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.*

(Continued)

# Executive Summary

## Areas of audit focus - continued

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues;
- ▶ You concur with the resolution of the issue; and
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Management.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We received one objection to the 2020/21 accounts from a member of the public following the inspection period for the financial statements.

We made routine audit enquiries to understand the fact pattern pertinent to the issue that was raised. Following these enquiries, we decided not to accept the matters that were raised as meriting further consideration and that they would not lead us to exercise our formal audit powers. The matter is now closed.

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 not therefore be able to issue our Audit Certificate alongside our Audit Opinion.

## Independence

As reported in our Provisional Audit Plan dated 30 March 2021, the engagement team is led by Mark Hodgson. We have agreed a two year extension to Mark's tenure as Engagement Partner with the PSAALtd. We also sought and gained approval to this decision from the Council's Section 151 Officer and Audit Committee Chair, as part of our overall considerations for the extension.

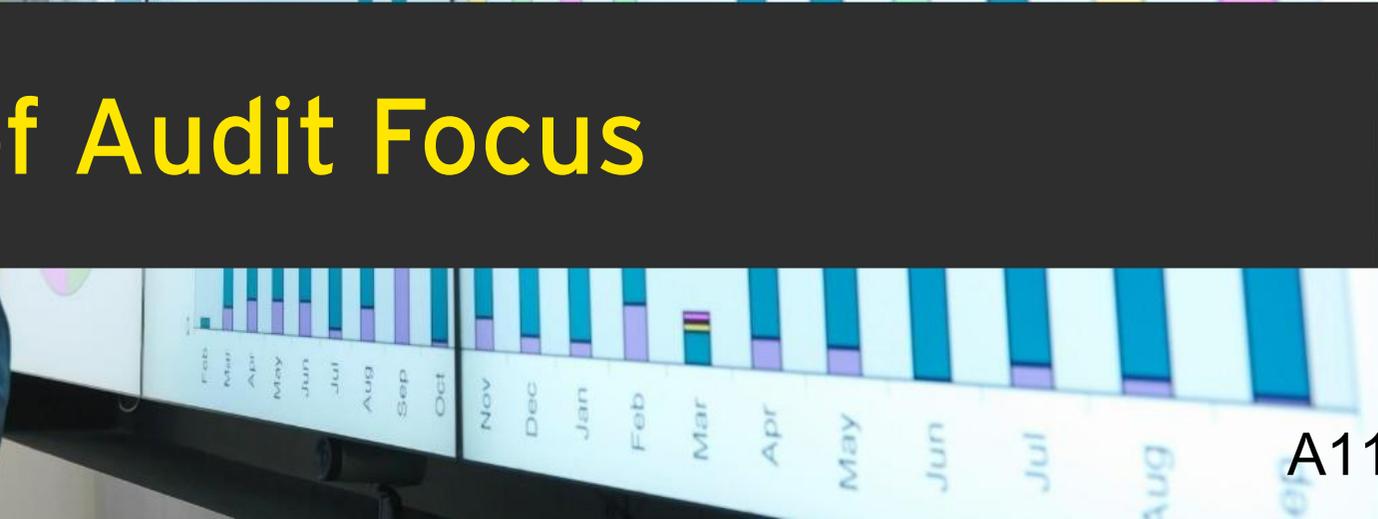
Please refer to Section 8 for our update on Independence.

## Control observations

During the audit, we did not identify any significant deficiencies in internal control.



## 02 Areas of Audit Focus





# Areas of Audit Focus

## Fraud risk - misstatements due to fraud or error

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

### What did we do?

We have completed our standard procedures to address the fraud risk, which included:

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To address the residual risk of management override we perform specific procedures which include:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing;
- ▶ Assessing key accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions

### What are our conclusions?

As reported in our Provisional Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. The identified areas were:

- ▶ the incorrect capitalisation of revenue expenditure
- ▶ accounting adjustments made in the 'Movement in Reserves Statement'

The results of our work on these specific risks are set out on the following two pages.

Our mandatory procedures did not identify any instances of management override. We have not identified any material weakness in controls of management override, any instances of inappropriate judgements being applied, or any management bias in accounting estimates, or identified any inappropriate journal entries or other adjustments to the financial statements to the date of this report.

We will provide an update to the Audit Committee with our findings once the work is finalised.



## Areas of Audit Focus

### Significant risks

#### Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure

##### What is the risk?

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

The Council has a large capital programme and therefore, there is the potential for revenue items to be 'hidden' within a programme of this size.

##### What did we do and what judgements did we focus on?

We identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts and the balance sheet.

We have focused on the Council's judgement that an item is capital expenditure in nature. To address this risk we:

- ▶ Sample tested additions to property, plant and equipment to ensure that they had been correctly classified as capital transactions and included at the correct value; and
- ▶ Applied our data analytics tool to identify and test journal entries that moved expenditure into capital codes.

##### What are our conclusions?

- ▶ 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.



## Areas of Audit Focus

### Significant risks – continued

#### Misstatements due to fraud or error – accounting adjustments made in the 'Movement in Reserves Statement'

##### What is the risk?

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.

- The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:
- Revenue Expenditure Funded from Capital Under Statute (REFCUS);
- Capital grants;
- Depreciation, impairments and revaluation losses;
- Capital expenditure funded by revenue; and
- Minimum revenue provision.

##### What did we do and what judgements did we focus on?

We identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We focused on the Council's accounting adjustments made in the movement in reserves statement that could result in the misstatement of cost of services reported in the comprehensive income and expenditure statement. To address this risk we:

- ▶ Sample tested REFCUS to ensure the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- ▶ Reconciled entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- ▶ Reviewed the Council's policy and application of the 'Minimum Revenue Provision'; and
- ▶ Used our data analytics tool to identify and test journal entries adjustments made in the movement in reserves statement.

##### What are our conclusions?

- ▶ 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.



## Areas of Audit Focus

### Significant risk – continued

#### Accounting for Covid-19 related Government grants

##### What is the risk?

The Council has received a significant level of government funding in relation to Covid-19. In 2020/21, this consists of non-ringfenced and non ring fenced Covid-19 response grants, amounting to £144.9 million.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government 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 within the 2020/21 statements.

##### What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- ▶ Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature;
- ▶ Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body;
- ▶ Reviewed the instructions and conditions of each grant that we tested to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants; and
- ▶ Compared the Council's assessment of whether they were acting as 'agent' or 'principal' for each Covid grant to other Councils' assessment to determine whether Norfolk County Council were an outlier in their treatment of any particular grant.

##### What are our conclusions?

We are still to conclude on three of the grants sampled. We will provide an update to the Audit Committee with our findings once the work is finalised.



## Areas of Audit Focus

### Significant risk – continued

#### Land and Buildings valuation – Depreciated Replacement Cost

##### What is the risk?

The Council values £409 million of assets using the depreciated replacement cost (DRC) valuation. This uses economic useful life as an input to the model to calculate the value.

The expert the Council engages with to undertake these valuations had new information brought to their attention by the Council's building surveyor. In June the Council revised the method of how the economic useful life was calculated.

Given the material nature of the assets valued using this method and the potential significant change to the values of these properties we have identified this as a significant risk.

##### What did we do and what judgements did we focus on?

We have identified a specific risk that could effect the balance sheet.

We focused on the Council's DRC valued assets included in the balance sheet. To address this risk we:

- ▶ Engaged with EY Valuation specialists to undertake a review of the new methodology and test the application of the new methodology on a sample of DRC valued assets;
- ▶ Established the DRC valued assets impacted and reviewed the working papers provided to support the changes in value to ensure they are reasonable and appropriate following the review of the methodology; and
- ▶ Reviewed the disclosures made in regards to this change are appropriate and consistent with our knowledge

##### What are our conclusions?

We have not yet completed our audit work in this area. We will provide an update to the Audit Committee with our findings once the work is finalised.

## Areas of Audit Focus – Other Areas of Audit Focus

### Valuation of Property, Plant & Equipment – inherent risk

#### What is the risk?

Property, Plant and Equipment represent a significant balance in the Council's accounts (£1,696 million) and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.

The Council will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment. 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.

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.

#### What did we do and what judgements did we focus on?

We have identified a specific risk of misstatement that could affect the Balance Sheet. We consider the risk applies to the valuation of Property, Plant and Equipment assets in the Balance Sheet. To address this risk we:

- ▶ Considered the work performed by the Council's valuer, including the adequacy of scoping the work, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within the appropriate time frame and any changes communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base was not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation;
- ▶ Consider circumstances that require the use of EY Valuation specialists to review any material specialist assets and the underlying assumptions; and
- ▶ Tested accounting entries had been correctly processed in the financial statements.

#### What are our conclusions?

We have not yet completed our audit work in this area. We will provide an update to the Audit Committee with our findings once the work is finalised.



## Areas of Audit Focus

### Other Areas of Audit Focus - Continued

#### Accounting for Academy School Transfers - inherent risk

##### What is the risk?

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.

Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Council's accounts are considered to be lower risk due to their size and nature.

##### What did we do and What judgements are we focused on?

We have identified a specific risk that could effect income, expenditure and the balance sheet.

We focused on the Council's recognition of schools transferring to academy status during the period and the removal of associated transactions, balances and assets. To address this risk we:

- ▶ Reviewed the arrangements for agreeing with the school assets, liabilities and balances for transfers; and
- ▶ Reviewed how the transfers have been accounted for, including reconciling the schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year and Department for Education records.

##### What are our conclusions?

- ▶ 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.



## Areas of Audit Focus

### Other Areas of Audit Focus - continued

#### Pensions valuations and disclosures - inherent risk

##### What is the risk?

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 material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

Accounting for this scheme involves significant estimation and judgement.

At 31 March 2021 this totalled £1,587 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

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.

##### What did we do and what judgements did we focus on?

We have identified a specific risk of misstatement that could affect the balance sheet. We consider the risk applies to the valuation of the Pension Liability in the Balance Sheet and supporting disclosure notes. To address this risk we:

- ▶ Liaised with the auditors of Norfolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC - Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering the corresponding reviews performed by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

##### What are our conclusions?

- ▶ We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.
- ▶ We have agreed the Council's IAS 19 disclosures to the Actuaries' report to ensure these are fairly stated in the accounts.

We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £21.328 million. Management have adjusted for this audit difference. See Section 4 for further information.

We have agreed the Authority's IAS 19 disclosures to the revised actuaries' report to ensure these are fairly stated in the accounts. The disclosures in the accounts have been amended to reflect the most recent valuation of the Pension Fund's assets as per the updated IAS 19 report from the actuaries. (Continued)



## Areas of Audit Focus

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### Other Areas of Audit Focus - continued

#### **Pensions valuations and disclosures - inherent risk**

##### **What are our conclusions?**

We have been notified of an issue has arisen across all Local Government audits within the sector that needs to be resolved prior to us being able to fully conclude our work in this area.

This is in relation to the impact of the new auditing standard on accounting estimates on planned procedures. We planned to take an audit approach to this estimate based on procedures to evaluate Management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.

Neither we, nor PWC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements.

Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance. The impact of this additional procedure may impact on our timeline for issuing the audit opinion. We will provide the Committee with a verbal update on progress at the 14 October 2021 meeting.



## Areas of Audit Focus

### Other Areas of Audit Focus - continued

#### Group Consolidation

##### What is the risk?

The County Council has a number of subsidiaries. Two of these subsidiaries are considered significant and are consolidated into the Group Accounts - NORSE Group Ltd and Independence Matters (CIC).

All entities prepare their accounts under International Financial Reporting Standards (IFRS) but with modifications.

On 1 April 2019, Norse Group Ltd adopted IFRS 16, in accordance with recognised accounting standards required for larger companies. This has resulted in £10.350 million of operating lease liabilities being reclassified as finance leases from that date, increasing the value of both lease liabilities and Property Plant and Equipment in the Group balance sheet.

In order to apply the CIPFA Code to the Group accounts, the impact of the adoption of IFRS 16 by the Norse Group should have been reversed out of the group accounts. In 2019/20 the Council did not adjust as the overall impact was considered immaterial. The risk is that the finance leases have increased and are material.

##### What did we do and what judgements did we focus on?

We have identified a specific risk of misstatement that could affect the Group balance sheet. We consider the risk applies to the valuation of the consolidation adjustments in the Group Balance Sheet and supporting disclosure notes. To address this risk we:

- ▶ Liaised with the auditors of NORSE Group Ltd to obtain assurances over the information supplied in the consolidation pack to Norfolk County Council;
- ▶ Reviewed the consolidation adjustments made by the Council; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to the Group Accounts.

##### What are our conclusions?

Due to an issue impacting the completion of the NORSE Group Ltd audit we have not yet been provided with a consolidation or reporting pack from the component auditors (PwC). We have been in discussion with the component auditor and are aware of the issue which is preventing them from signing the audit. Until this is resolved we will not be able to progress or complete this area of work.



## Areas of Audit Focus

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### Going concern

We have not yet completed our audit work in this area. We will provide an update to the Audit Committee with our findings once the work is finalised.



# 03 Audit Report

**DRAFT**



## Our proposed opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL

#### Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Norfolk County Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Authority and Group Movement in Reserves Statement,
- ▶ Authority and Group Comprehensive Income and Expenditure Statement,
- ▶ Authority and Group Balance Sheet,
- ▶ Authority and Group Cash Flow Statement,
- ▶ the related notes 1 to 48 to the Authority Accounts,
- ▶ the related notes 1 to 16 to the Group Accounts,
- ▶ and include the Firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Norfolk County Council and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Finance and Commercial Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.



# Audit Report

## Our proposed opinion on the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Executive Director of Finance and Commercial Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the 'Statement of Accounts 2020-21', other than the financial statements and our auditor's report thereon. The Executive Director of Finance and Commercial Services is responsible for the other information contained within the 'Statement of Accounts 2020-21'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- ▶ we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.



## Our proposed opinion on the financial statements

### Responsibility of the Executive Director of Finance and Commercial Services

As explained more fully in the 'Statement of Responsibilities' set out on page 18, the Executive Director of Finance and Commercial Services is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance and Commercial Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- ▶ Local Government Act 1972,
- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- ▶ The Local Government Finance Act 2012,
- ▶ The Local Audit and Accountability Act 2014, and
- ▶ The Accounts and Audit Regulations 2015.



## Our proposed opinion on the financial statements

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how Norfolk County Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, Authority policies and procedures and other information.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure, inappropriate accounting adjustments made in the 'Movement in Reserves Statement' and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of inappropriate accounting adjustment made in the 'Movement in Reserves Statement' we tested Revenue Expenditure Funded from Capital Under Statute (REFCUS), capital grants, depreciation, impairments and revaluation losses, capital expenditure funded by revenue, and minimum revenue provision to ensure that transactions were appropriate and the 'Movement in Reserves Statement' was fairly stated.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



## Our proposed opinion on the financial statements

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Norfolk County Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Norfolk County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Norfolk County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Pension Fund financial statements

On X October 2021 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2021 included within the Statement of Accounts.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



# Audit Report

## Our proposed opinion on the financial statements

### Use of our report

This report is made solely to the members of Norfolk County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



# 04 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight misstatements greater than £1.403 million which have been corrected by management that were identified during the course of our audit.

- ▶ Decrease in the Council's 'Pension Liability' of £21.3 million. This is as a result of the Actuary's updating the IAS19 report, as a result of an increase in the 'return on the Pension Fund's assets' identified through the audit of Norfolk Pension Fund. The increase in investment valuation was £43.817 million. This is due to a timing difference of available actual valuations for certain asset classes within the Pension Fund.

At the time of this report we have identified a limited number of minor disclosure differences in the draft financial statements which management has chosen to adjust. We have judged that these adjustments do not warrant flagging to the Audit Committee in this report.

## Summary of unadjusted differences

There are no uncorrected misstatements identified as part of our audit at the time of this report.



# 05 Value for Money

01



# Value for money

## The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment

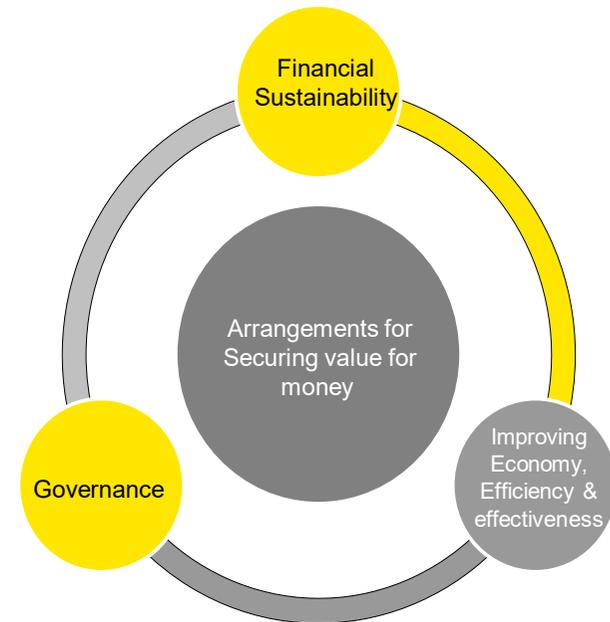
We issued an Audit Plan Addendum dated 6 October 2021 which confirmed we had concluded our detailed VFM planning and risk assessment and that we had not identify any significant weaknesses in the Council's arrangements.

We revisited our procedures during the completion of our audit of the financial statements, and confirm that we have not identified any risks of significant weaknesses against the three reporting criteria we are required to consider under the NAO's 2020 Code.

## Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

We set out our provisional commentary on the Council's VFM arrangements in Appendix G to this report.





# 06 Other reporting issues

01

## Other reporting issues

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# Other reporting issues

### **Consistency of other information published with the financial statements, including the Annual Governance Statement**

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### **Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

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 not be able to issue our Audit Certificate until this work is complete.

## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We received correspondence from two members of the public during the audit. As a result, we received one objection to the 2020/21 accounts from a member of the public following the inspection period. We made routine audit enquiries to understand the fact pattern pertinent to the issue that was raised. Following these enquiries, we decided not to accept the matters that were raised as meriting further consideration and that they would not lead us to exercise our formal audit powers. The matter is now closed.

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

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues and have not had course to use this duty.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits.

We have reported in respect of going concern earlier in this report. We have no other matters to report.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Norfolk County Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Norfolk County Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. 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.

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 considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



# 08 Independence

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

As noted in our Provisional Audit Plan, we have agreed a two year extension to Mark's tenure as Engagement Partner with the PSAA Ltd. We sought and gained approval to this decision from the Council's Section 151 Officer and Audit Committee Chair, as part of our overall considerations for the extension. We do not consider that this compromises our independence, and no additional safeguards were put in place.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

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

## Other communications

### EY Transparency Report 2020

Ernst & Young (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 in place 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 end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee - Code work	98,361	98,361	98,361
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	71,483		71,483
<b>Revised Proposed Scale Fee</b>	<b>169,844</b>		<b>169,844</b>
<b>Additional work:</b>			
2019/20 Additional Procedures required and as reported within the Annual Audit Letter (Note 2)	-	-	19,712
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of: <ul style="list-style-type: none"> <li>Accounting for Covid-19 related Government Grant income, DRC valued assets, Group Accounts.</li> </ul>	Note 3	-	
Additional procedures in relation to local elector questions received	Note 4		
Additional work required for the new VFM arrangements required for 2020-21 and additional work required to meet the new ISA 540 requirements	Note 5		
<b>Total fees All fees exclude VAT</b>	<b>TBC</b>	<b>98,361</b>	<b>189,556</b>

**Note 1** - For 2019/20 we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase has been discussed with management and is with PSAA for determination. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and is subject to approval by PSAA Ltd.

**Note 2** - The 2019/20 Additional Procedures fee was reported in our Annual Audit Letter. The fee was agreed with Management and is subject to formal approval by PSAA Ltd.

**Note 3** - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting on associated audit risks pertaining to Covid-19, DRC valued assets and the Group Accounts. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Auditor's Report.

**Note 4** - Any work on questions received from local electors fall outside the scale fee set by PSAA Ltd. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Auditor's Report.

**Note 5** - we have undertaken additional work due to the new NAO value for money requirements and ISA 540 which are outside of the scale fee. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Auditor's Report.



# 09 Appendices

## Appendix A

# Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

Balance sheet category 	Current Year Audit Approach	Prior Year Audit Approach 	Explanation for change 
<ul style="list-style-type: none"> <li>▶ Property, Plant and Equipment</li> <li>▶ Investment Properties</li> <li>▶ Long term debtors</li> <li>▶ Short term investments</li> <li>▶ Cash and cash equivalents</li> <li>▶ Short and long term borrowings</li> <li>▶ PFI liability (short and long term)</li> <li>▶ Liability related to Defined Benefit Pension Scheme</li> <li>▶ Provisions (short and long term)</li> <li>▶ Capital Grants received in advance</li> <li>▶ Useable and unusable reserves</li> <li>▶ Short term debtors</li> <li>▶ Short term creditors</li> </ul>	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
<ul style="list-style-type: none"> <li>▶ Intangible assets</li> <li>▶ Heritage assets</li> <li>▶ Inventories</li> <li>▶ Long term investments</li> <li>▶ Assets held for sale</li> </ul>	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

## Appendix B

# Summary of communications

Date 	Nature 	Summary 
21 January 2021	Meeting	The Audit Partner and Audit Manager met with the Chief Financial Officer to discuss the audit strategy and likely audit risk. The Audit Partner attended the virtual Audit Committee meeting.
30 March 2021	Report	The Audit Partner issued the Provisional Audit Plan
22 April 2021	Meeting/Report	The Audit Manager meet with the Audit Committee and senior members of the management team to present the Audit Plan. Our report included confirmation of independence.
05 October 2021	Meeting	The Audit Partner and Audit Manager held a call with the Director of Financial Management to discuss emerging issues and agree the timeline for audit conclusion.
6 October 2021	Report	The Audit Partner issued the Audit Plan Addendum - VFM Risk Assessment.
8 October 2021	Report	The Audit Partner issued the Audit Results Report.
14 October 2021	Meeting/Report	The Audit Partner and Audit Manager met with the Audit Committee and senior members of the management team to discuss the Audit Results Report (ISA260).
Various	Meetings	Regular calls held by the Audit Manager with the Finance Team to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout August and September.

## Appendix C

# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 30 March 2021 presented to the Audit Committee on 22 April 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Provisional Audit Plan - 30 March 2021 presented to the Audit Committee on 22 April 2021
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021

## Appendix C – continued

		Our Reporting to you
Required communications	 What is reported?	  When and where
Major Local Audits	<p>For the audits of financial statements of major local audits our written communications to the Audit Committee include:</p> <ul style="list-style-type: none"> <li>▶ A declaration of independence</li> <li>▶ The identity of each key audit partner</li> <li>▶ The use of non-member firms or external specialists and confirmation of their independence</li> <li>▶ The nature and frequency of communications</li> <li>▶ A description of the scope and timing of the audit</li> <li>▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>▶ Materiality</li> <li>▶ Any going concern issues identified</li> <li>▶ Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee</li> <li>▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>▶ The valuation methods used and any changes to these including first year audits</li> <li>▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>▶ The completeness of documentation and explanations received</li> <li>▶ Any significant difficulties encountered in the course of the audit</li> <li>▶ Any significant matters discussed with management</li> <li>▶ Any other matters considered significant</li> </ul>	<p>Provisional Audit Plan - 30 March 2021 presented to the Audit Committee on 22 April 2021</p> <p>Audit Results Report - presented to the Audit Committee on 14 October 2021</p>

## Appendix C – continued

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Council any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021

## Appendix C – continued

		 Our Reporting to you
<b>Required communications</b>	<b>What is reported?</b>	  <b>When and where</b>
Related parties	<p>Significant matters arising during the audit in connection with the Council’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Council</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021
Independence	<p>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Provisional Audit Plan - 30 March 2021 presented to the Audit Committee on 22 April 2021</p> <p>Audit Results Report - presented to the Audit Committee on 14 October 2021</p>

## Appendix C – continued

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We have one outstanding bank confirmation in respect of NatWest.
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ 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</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021

## Appendix C – continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - presented to the Audit Committee on 14 October 2021
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the Audit Plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Provisional Audit Plan - 30 March 2021 presented to the Audit Committee on 22 April 2021  Audit Results Report - presented to the Audit Committee on 14 October 2021

## Appendix D

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Pensions	Completion of procedures in relation to the Pension Liability	EY
Group Accounts	Once consolidation and reporting pack is received from component auditors complete review of consolidation procedures and other review procedures in the group accounts	EY, Component Auditor and Management
Property, Plant and Equipment (PPE) and Investment Properties (IP) valuation, including DRC valuation testing	Conclude our sample testing for valuation of PPE and IP	EY and Management
Journals	Conclude on one item outstanding	EY and Management
Employee Costs	Completion of procedures in relation to employee costs	EY and management
Accounts payable and accounts receivable testing	Conclude on our sample testing in these 2 areas. Complete our cut-off and unrecorded liabilities testing.	EY and Management
Disclosures	Completion of procedures in relation to in relation to disclosures	EY and management
Grants testing, including Covid 19	Completion of procedures in relation to grants	EY and management
Other income and expenditure testing	Conclude our sample testing in these 2 areas.	EY and management
Going Concern	Completion of procedures in relation to the Councils going concern assessment and disclosure	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion.. A draft of the current opinion is included in Section 3.

## Appendix D

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Cash	Conclude our sample testing once we have received the outstanding cash confirmation	EY and Management
Whole of government accounts procedures	NAO instructions to be received, reviewed and procedures performed and submission made.	EY and management
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2020/21 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion.. A draft of the current opinion is included in Section 3.



# Appendix E – Request for a Management Representation Letter

## Request for a Management Representation Letter

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 INVESTOR IN PEOPLE

Simon George  
Executive Director of Finance  
Norfolk County Council  
County Hall  
Marineau Lane  
Norwich  
NR1 2DH

8 October 2021

Ref:  
Your ref:  
Direct line: 01223 394547  
Email: M.Hodgson@uk.ey.com

Dear Simon,

**Norfolk County Group and Council – 2020/21 financial year  
Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Group and Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Norfolk County Group and Council ("the Group and Council") for the year ended 31 March 2021.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

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You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. That you acknowledge as members of management of the Group and Council, your responsibility for the fair presentation of the Group and Council's financial statements. You believe the Group and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. You have approved the Group and Council financial statements.
3. That the significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, you believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in our Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

Or that there are no unadjusted audit differences.



# Appendix E – Request for a Management Representation Letter

## Request for a Management Representation Letter



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### B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the Group and Council financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic.
3. That you have made available to us all minutes of the meetings of the Group and Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 31 October 2021.



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4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Group and Council financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the Group and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the Group and Council financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Group and Council financial statements (please specify the Notes) all guarantees that you have given to third parties.

### E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020 - 2021.



# Appendix E – Request for a Management Representation Letter

## Request for a Management Representation Letter



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2. You confirm that the content contained within the other information is consistent with the financial statements.

### G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### H. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Group and Council.

### I. Going Concern

1. That the Group and Council has prepared the financial statements on a going concern basis and that Note X (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

### J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

### K. Reserves

1. You have properly recorded or disclosed in the Group and Council financial statements the useable and unusable reserves.



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### L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Group and Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Group and Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 pandemic.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

### M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.



# Appendix E – Request for a Management Representation Letter

## Request for a Management Representation Letter



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4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic.

#### N. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
3. You confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

#### O. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson  
Associate Partner  
Ernst & Young LLP  
United Kingdom

## Appendix F

### Implementation of IFRS 16 Leases

In previous reports to the Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the Council until 1 April 2022. However, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Council will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	Management should: <ul style="list-style-type: none"> <li>▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.</li> <li>▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases</li> <li>▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.</li> </ul>
Policy Choices	The Council needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> <li>▶ Whether to adopt a portfolio approach</li> <li>▶ What low value threshold to set and agree with auditors</li> <li>▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components</li> <li>▶ What is managements policy in relation to discount rates to be used?</li> </ul>
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the Council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

 Appendix G – Provisional VFM Commentary**Financial Sustainability**

For 2020/21, 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.

***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 has an established approach to budget setting with regular reports provided to Cabinet at key points in the process, before taking the Medium Term Financial Plan to Full Council. The Council analyses all major Government funding announcements (Spending Review 2020 and provisional Settlement 2021/22) to understand their implications and incorporate any pressures arising into financial planning. The budget process includes taking account of the in-year monitoring position to identify recurrent pressures which need to be provided for in the following year in consultation with Finance Business Partners, Responsible Budget Officers (RBO) and other senior managers.

The RBOs are responsible for identifying budget risks. Any risks which have long term implications are escalated to the Finance Projects team and incorporated into the budget process for risk mitigation activities to be coordinated with the service areas.

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

The Council has a four year Medium Term Financial Plan. The Council reviews the forecast Medium Term Financial Plan position in February each year and subsequently Cabinet allocates savings targets to Service Departments based on the identified gap position. Service Departments then develop savings proposals which are tested internally via a "budget challenge" process involving both officers and Members through the Summer. Once validated as being robust, proposals are considered by Cabinet prior to public consultation. In the event that additional savings are required, the Council undertakes further rounds of budget challenge in November / December. The Section 151 officer provides his view of the robustness of the overall Budget, including saving proposals, as part of the Budget report to Cabinet / Full Council in January/February each year. In the Medium Term Financial Plan dated 22 February 2021, a council tax increase along with identified saving proposals meant there was no budget shortfall identified for the 2021/22 financial year.

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

Strategic and Financial Planning reports presented to Cabinet through the budget setting process provide an overview of how the budget is aligned to organisational strategy and priorities. Budgets are set in line with Service Departmental priorities and savings proposals are developed in the context of statutory requirements. Budget setting considers both the medium term (four year) position and longer term outlook. The Council prepares the budget in the context of the CIPFA Financial Management Code and the Annual Budget report sets out an assessment of how compliance with the CIPFA Financial Management Code is achieved.



### Financial Sustainability (continued)

***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.***

Strategic and Financial Planning reports presented to Cabinet through the budget setting process provide an overview of how the budget is aligned to organisational strategy and priorities. The Budget process includes a check of the workforce establishment against budgetary provision for salaries.

Capital budgets are set in the 'Capital Strategy and Programme' in February each year. This also sets out how these programmes are to be funded. This is a mix of grants and contributions provided by Central Government, use of prudential borrowing and capital receipts. All prudential borrowing is taken on with regard to the Council's Treasury Management policy.

The Revenue budget, Reserves Strategy, Capital Strategy and Programme and Treasury Management plans are all developed in conjunction with one another to ensure that any financial implications are consistently incorporated and reflected. This can be seen in the reporting of these areas as they are combined into one overall report for approval by Full Council.

***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.***

Risks to financial resilience are kept under review and are identified through various mechanisms including regular financial monitoring and risk management processes. Financial regulations set out that Executive Directors are responsible for managing their Service Departments within the budget available for the year, and any variances, including non-delivery of planned savings (and mitigating actions) are reported to Cabinet monthly, as part of financial monitoring. As part of budget setting, the Council undertakes a risk-based approach to assessing the required General Fund balance. In preparing the Annual budget, the Council also has regard to CIPFA's financial resilience index and the Financial Management Code. The Budget report to Council includes an assessment of the robustness of budget estimates and broad sensitivity analysis.

 **Appendix G – Provisional VFM Commentary****Governance**

For 2020/21, the Council has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

**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 maintains corporate, departmental and service risk registers. Regular Risk Management reports are taken to the Audit Committee to consider, challenge and agree. Internal audit produce a 3 year strategic plan which is risk focused. Conversations are undertaken with Executive/Assistant Directors and key senior managers to incorporate discussions on where current risks are within the Service departments along with a review of the associated risk registers. These feed into the Annual Plan of audits undertaken by Internal Audit. Quarterly Internal Audit progress reports are taken to the Audit Committee for consideration along with an Annual Report by the Head of Internal Audit. Internal audits are how the Council gains assurance over the effective operation of the internal control environment, which cover arrangements to prevent and detect fraud. These feed into the Annual Governance Statement which is prepared annually and published alongside the Statement of Accounts.

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

The Council produce the Revenue and Capital Budget and Medium Term Financial Strategy along with the Cabinet Report in February prior to the start of the financial year. A budget setting timetable is agreed by Cabinet each year which follows the below process:

- Cabinet report setting out budget process and timetable, agreeing allocation of savings required and framework for service planning;
- Budget challenge undertaken by the Corporate Board and portfolio leads;
- Medium Term Financial Plan taken to Cabinet to review assumptions and proposed areas for savings;
- Select Committees consider proposed areas for savings;
- Review by Scrutiny Committee;
- Public consultation;
- Further budget challenge as a result of public consultation responses;
- Final settlement and then the Budget is taken to Cabinet in February to recommend to Council;
- Scrutiny Committee to consider budget proposals, consultation and impact assessments; and
- Budget taken to Full Council for approval

The budget process includes taking account of the in-year monitoring position to identify recurrent pressures which need to be provided for in the following year in consultation with Finance Business Partners, Responsible Budget Officers and senior managers.

 **Appendix G – Provisional VFM Commentary****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.***

A Budget Manager system is in place to capture the monthly review by RBOs and this is supported by Finance. The review flags up any over/underspends, which then feature on the monthly monitoring report accompanied by commentary from the service areas on risks and mitigations being undertaken to address service and financial risks. Financial Regulations set out overarching controls, including that Executive Directors are responsible for managing their services within the budget available for the year. There is a programme of reports, updates and reviews undertaken by the various Member-led internal committees and panels within the Council to review performance and scrutinise processes, policies and decision making throughout the year. The key findings, decisions and recommendations of these committees are reported to Cabinet for oversight and approval. Any material key decisions (as set out in the Council's constitution) are then referred to Full Council for review and approval.

***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.***

Decision making is undertaken in accordance with the approach set out within the Council's Constitution and financial decisions taken in accordance with Financial Regulations. The Scrutiny Committee has the opportunity to consider Cabinet decisions. Individual Members can also raise questions to Cabinet on any reports presented, thus providing a further layer of challenge and review.

All decision making reports to Cabinet include details of financial and other implications. In presenting key decisions to the Cabinet and Council for approval, the officers must complete equality and data protection impact assessments as well as provide confirmations that the legal and statutory requirements of each service/area continue to be met.

***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 Constitution, Member/Officer protocol and financial regulations set out the appropriate standards of Officer and Member behaviour. This is monitored by Democratic Services who maintain the online guidance for Officers and Members on best practice for declaration of interests, gifts and hospitality. Registers of all declarations are kept and monitored.



### Improving economy, efficiency and effectiveness

For 2020/21, the Council has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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

Quarterly "vital signs" are reported to Cabinet in the 'Corporately Significant Vital Signs' report, to highlight the Key Performance Indicators (KPIs) for each service area and provides updates on actions taken by each service area to address any shortfall in performance. Each service area leadership team also receive monthly reports on performance from Finance Business Partners and Service Managers.

The Council assesses and reports on the performance of the Council through the Annual Governance Statement and Narrative Report which informs planning going forward.

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

The Council have prepared and agreed a Norfolk County Council Plan 2019-2025. The "Together for Norfolk" aims are growing economy, thriving people and strong communities. The plan provides a whole-Council view of significant activities and supports and is aligned with the Medium Term Financial Plan.

Quarterly "vital signs" reports to Cabinet capture the respective service's performance against this plan and is used by Cabinet to evaluate overall performance and identify the next steps for improvement, efficiencies and mitigations. There is a core transformation team in place which assist Service Departments in leveraging change projects and initiatives to achieve the improvements aimed for in Service plans.

#### ***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 number of significant partnerships which are covered by the Financial Regulations. Separate governance arrangements exist for external boards / partnerships / joint ventures and decisions taken by Council Members at these boards which impact the Council will be subject to the Council's Constitution. Members on these boards will feedback to the appropriate committee where performance can be monitored and action taken where necessary.

To deliver its role within the New Anglia Local Enterprise Partnership it launched the 'Norfolk Delivery Plan 6' to help rebuild the local economy, while attracting investment and putting infrastructure in place. For some specific partnerships for example the 'Business Rates Pool', particular governance agreements will be in place and details of the Pool are reported to Cabinet annually, as Norfolk County Council is lead authority.

Stakeholder engagement is undertaken in many different ways. The Council consults on changes to services and other key decisions, such as the Annual Budget. The Council uses the "We Asked, You Said, We Did" approach to consultation by publishing key findings from consultations and feeds back how these contributed to Council decisions.

 **Appendix G – Provisional VFM Commentary****Improving economy, efficiency and effectiveness (continued)**

*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.*

Procurement activities are supported by Corporate procurement team which utilises the relevant framework agreements in place to achieve the best value for money outcome available when tendering for outsourced service contracts or key supply of goods to the Council. The Local Government and Crown Commercial Services frameworks include criteria for service delivery and product specification which complies with the relevant legislation and professional standards. The Procurement team also ensure that Council's priorities and internal policies are adhered to when assessing tenders and supporting service areas in awarding contracts.

The pipeline of contracts are reviewed on a quarterly basis by the Departmental Management Team to ensure oversight of new procurements and that these contracts support and deliver the Council's service priorities. Any savings targets or performance benefits expected from the procurement of services is monitored and measured via agreed KPIs with the suppliers and reported to the relevant service Departmental Management Team as part of regular performance reporting. Internal Audit undertake periodic reviews of Procurement and this is reported to the Audit Committee.

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ED None

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**Appendix 1**

**Letter of Representation (Norfolk County Council) 2020-21**



**Finance Department  
County Hall  
Martineau Lane  
Norwich  
NR1 2DW**

My Ref: audit letter of rep

Your Ref: .

Please ask for: Joanne Fernandez Graham

Direct Dialling Number: 01603 306228

Email: [j.fernandezgraham@norfolk.gov.uk](mailto:j.fernandezgraham@norfolk.gov.uk)

[date]

Mr M Hodgson

Ernst & Young LLP

One Cambridge Business Park

Cambridge

CB4 0WZ

***DRAFT***

This representation letter is provided in connection with your audit of the consolidated and council financial statements of Norfolk County Council (“the Group and Council”) for the year ended 31 March 2021.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the financial position of the Group and Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing yourselves:

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 (as amended in 2020 for COVID-19) and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
2. We acknowledge as members of management of the Group and Council, our responsibility for the fair presentation of the Group and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 for the Group and Council that are free from material misstatement, whether due to fraud or error. **We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.**
5. We believe that the effects of any unadjusted audit differences, summarised in your Audit Results Report accumulated by us during the current audit and pertaining to the latest period presented are immaterial

We have not corrected these differences identified and brought to our attention both individually and in aggregate, to the financial statements taken as a whole. There is one unadjusted audit difference in the Council's group accounts. The reason for not adjusting the difference is detailed below:

##### **a. Group Accounts IFRS16 lease accounting.**

Under previous rules, lessees accounted for leases as either operating leases or finance leases depending on the nature of the lease, with only finance lease assets and liabilities being recognised on the balance sheet. IFRS16 will require all leases, with very few exceptions, to be included in the balance sheet. This is likely to result in a number of vehicle and property leases currently classified as operating leases to be brought onto the balance sheet.

On 1 April 2019, Norse Group Ltd adopted IFRS 16, in accordance with recognised accounting standards required for larger companies. This resulted in £10.350m of operating lease liabilities being reclassified as finance leases from that date, increasing the value of both lease liabilities and Property Plant and Equipment in the Group balance sheet. The Norse Group finance liabilities of £16.391 are included in the group accounts at 31 March 2021 as finance liabilities and are matched by an increased value of fixed assets.

To put this value in context, the net book value of Property, Plant and Equipment in the group balance sheet is £1,793m. The value of newly recognised assets in the balance sheet is less than 0.9% of the total value of PPE.

CIPFA/LASAAC originally deferred implementation of IFRS16 for local authorities from 1 April 2019 to 1 April 2020, and in 2020 CIPFA/LASAAC agreed to defer the implementation to the 2022-23 financial year, with an effective date of 1 April 2022. The first published balance sheet which will be affected will be dated 31 March 2023.

In order to apply the CIPFA Code to the Group accounts, the impact of the adoption of IFRS 16 by the Norse Group would have to be reversed out of the group accounts. This has not been done for the following reasons:

- the adjustment is not material to the group accounts;
- although it would be possible to reverse the entries as at 31 March 2020 using data held by Norse, the equivalent accounting entries will not be available from Norse as part of their accounts production work as at March 2021;
- any additional work will compromise the Council's ability to produce auditable draft accounts in advance of the 31 July 2021 deadline;
- in 2022-23 the Council's accounts and group accounts will converge as both will fully be subject to IFRS 16.

## **B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws and regulations including fraud that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") including non-compliance matters:
  - a. involving financial statements;
  - b. related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
  - c. related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;

- d. involving management, or employees who have significant roles in internal controls, or others; or
- e. in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: **31 October 2021**.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Group and Council financial statements.
5. We believe that the significant assumptions that we have used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter to you, through to the date of this letter, we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonable likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and Council financial statements in Note 46 all guarantees that we have given to third parties.

#### **E. Subsequent Events**

1. Other than described in the relevant notes to the consolidated and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic subsequent to the year end which require adjustment of or disclosure in the Group and Council financial statements or notes thereto.

#### **F. Other Information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and glossary of terms included in the Norfolk County Council Statement of Accounts 2020-21.
2. We confirm that the contents contained within the other information is consistent with the financial statements.

#### **G. Accounting Estimates**

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable
2. In respect of accounting estimates recognise or disclosed in the financial statements:
  - We believe that measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - The disclosure relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework
  - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures
  - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **H. Expenditure Funding Analysis**

1. We confirm that the financial statements reflect the operating segments reported internally to the Group and Council.

#### **I. Going Concern**

1. The Group and Council has prepared the financial statements on a going concern basis and that Note 47 to the financial statements discloses all of the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

#### **J. Ownership of Assets**

1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

#### **K. Reserves**

1. We have properly recorded or disclosed in the consolidated and Council financial statements the usable and unusable reserves.

#### **L. Valuation of Property, Plant and Equipment Assets**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
3. We confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the COVID-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events, including due to the COVID-19 pandemic.
6. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5-year rolling programme for valuations and that each asset category is not materially misstated.
7. We confirm that for assets carried at historic cost, no impairment is required.

#### **M. Retirement Benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. We believe that the measurement processes, including related assumptions and models,

used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

4. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
5. We confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events, including due to the COVID-19 Pandemic.

#### **N. Group Audits**

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
3. We confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

#### **O. Specific Representations**

We do not require any specific representations in addition to those above.

Yours faithfully

Simon George, Executive Director of Finance and Commercial Services

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I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 14 October 2021

Cllr Ian Mackie  
Chairman of Norfolk County Council Audit Committee