





West Sussex County Council County Hall West Street Chichester PO19 1RQ

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Dear 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 Regulation, Audit and Accounts Committee. We will update the Regulation Audit and Accounts Committee at its meeting scheduled for 22 September 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

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 West Sussex 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 an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Regulation, Audit and Accounts 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 Regulation, Audit and Accounts Committee meeting on 22 September 2021.

Yours faithfully

Helen Comm

Helen Thompson, Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex 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 Regulation, Audit and Accounts Committee and management of West Sussex 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.





Scope update

In our audit planning report presented to the Regulation, Audit and Accounts Committee meeting on 19 July 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 updates:

Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1.8% of gross expenditure on provision of services, levies expenditure and interest payable. In previous years we have been required to calculate separate materiality to apply to our audit work on Firefighters' Pension Scheme Account included in the financial statements. This requirement no longer applies for 2020/21.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We report all uncorrected misstatements relating to the primary statements greater than 5% of planning materiality.
Planning	£25.8 million	£19.3m	£1.3m
Final	£31.9 million	£23.9m	£1.6m

Auditing accounting estimates

A revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. We have considered the following areas as higher inherent risk estimates in our approach:

- The revaluation of land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets.
- Pension liability and asset valuation.

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 Fund'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.

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.

Executive Summary

Status of the audit

As at 14 September 2021 our audit work in respect of the Council's opinion remains in progress. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Final determination of an objection received to the 2020/21 financial statements and final consideration of any related impact on our audit responsibilities
- Final completion of our work on the revaluation of land and buildings classified as property, plant and equipment, investment property and surplus assets
- Final completion of our work on pension asset and liability valuation
- Final completion of our work on specific grant income
- Final completion of our work to verify all Council investments disclosed on the Balance Sheet to third party evidence
- Final completion of our work on small number of other disclosures in the financial statements
- Final completion of our work on officers' remuneration disclosures in the financial statements
- Final check of the updated financial statements after completion of all outstanding procedures
- Update of our subsequent events procedures to the date of our opinion
- · Receipt of a signed letter of management representation

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the accounts which could influence our final audit opinion.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. 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; and
- Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Status of the audit - Value for Money

In the audit planning report presented to the Regulation, Audit and Accounts Committee, we reported that we had completed our value for money (VFM) risk assessment and 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, subject to final consideration of matters raised by a local elector in an objection to the accounts, and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

Audit differences

There are no unadjusted differences as at 14 September 2021.

There were no misstatements greater than £23.9m which have been corrected by management. The IAS19 pension liability has been reduced by approximately £7.8m, with a corresponding entry made to the pensions reserve, to adjust for differences between the Council's share of estimated Pension Fund assets considered by the actuary in determining the pension liability and the Council's share of actual Pension Fund assets accounted for in the final 2020/21 Pension Fund accounts.

A small number of other amendments were also made to disclosures appearing in the financial statements as a result of our work.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Autumn 2021. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

We have no other matters to report.



Objections

We have received an objection to the 2020/21 accounts from a member of the public.

As at 14 September 2021 we are continuing to undertake work to determine whether the objection raised has any impact on our financial statement opinion, value for money reporting or other audit responsibilities for 2020/21. We will also not be able to issue the audit certificate to formally conclude the audit until the objection is resolved.

Areas of audit focus

In our audit planning report we identified a number of key areas of focus for our audit of the financial report of West Sussex 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.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	Based on our work completed to 14 September 2021 we have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure	Our sample testing of additions to Property Plant and Equipment: • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. Our review of judgements taken by management found them to be reasonable.

Significant Risk	Findings & Conclusions
Land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets	Our work in this area remains in progress as at 14 September 2021. Further details are set out in Section 2 of this report.



Areas of audit focus (continued)

Area of audit focus / Inherent risk	Findings & Conclusions
Private Finance Initiative (PFI) (Inherent risk)	The Council has three material PFI arrangements. PFI accounting is a complex area and therefore more susceptible to error. Based on our work we are satisfied that:
	Inputs to the PFI accounting models were supported by evidence.
	The models continued to operate correctly.
	Output from the models was correctly reflected by the relevant accounting entries and disclosures in the financial statements.
	PFI assets were correctly accounted for and disclosed.
Pension Liability and Asset Valuation (Inherent risk)	As at 14 September 2021 our planned work in this area is largely complete, but an issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. Further details are set out in Section 2 of this report.
	One adjustment was made as a result of our work to date to reduce the IAS 19 pension liability on the Council's balance sheet by £7.8 million and increasing the pension fund reserve by an equivalent amount.
Going Concern (Area of audit focus)	Management produced a going concern assessment to the end of the 2022/23 financial year. This was supported by cash flow forecasts and liability benchmark analyses, which assessed the underlying need to borrow over the assessment period and consequential impacts on the Council's liquidity. The cash flow forecast and liability benchmark assessments modelled two reasonable scenarios. We reviewed and challenged both the cash flow forecasts and liability benchmark analyses and the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Council, which appears at Notes 41 and Note 42 to the accounts, and are satisfied that it is an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.
Accounting for Covid-19 related government grants (Inherent risk)	Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met. Based on our own assessment and intelligence gained from other audits we challenged the Council's assessment that it acts as agent in its role in administering the Adult Social Care Infection Control Grant. We ultimately concluded that the Council's assessment was not unreasonable, but asked it to further disclose the basis for its judgement. It has included this additional narrative at Note 42 to the amended financial statements. Our detailed testing of funding claimed under the Coronavirus Job Retention Scheme identified no issues.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

We have not identified any significant control deficiencies as part of the audit process, but we provide an update on two matters we raised as control observations in our prior year audit in Section 07 of this report.

Independence

Please refer to Section 08 for our update on Independence.





Areas of Audit Focus Fraud risks

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.

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

We:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud. We also performed mandatory procedures which we are required to undertake regardless of

specifically identified fraud risks. We:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to the revaluation of PPE, IP & surplus assets and pension liability and asset valuation.
- Evaluated the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required. See the next page for further details.

As at 14 September 2021 our testing in this area is complete with the exception of full completion of our work on accounting estimates.

Based on our work completed to date we have not identified any:

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- any other transactions during our audit which appear unusual or outside the Council's normal course of business.



Fraud risks (continued)

Inappropriate capitalisation of revenue expenditure

What is the risk and potential impact on the financial statements?

As identified in ISA 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 would otherwise appear to be operating effectively.

We determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.

We assessed that the risk of misreporting revenue outturn in the financial statements was most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions and/or REFCUS in the financial statements.

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

We:

- Tested PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. There were no Investment property additions in the year.
- Considered the need to test REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. However, we note that expenditure capitalised as REFCUS was well below our performance materiality level so there was no requirement to undertake any detailed testing.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of

In testing the capitalised expenditure we focused on the following judgements:

- We sought to gain assurance the capitalised spend clearly enhanced or extended the useful life of assets rather than simply repairing or maintaining the assets on which it was incurred.
- We sought to gain comfort that any development or other related costs that were capitalised were reasonable to capitalise i.e. the costs incurred were directly attributable to bringing the asset into operational use.

We sought to utilise our data analytics capabilities to assist with our work, including journal entry testing.



Fraud risks (continued)

Our sample testing of additions to PPE:

- Found costs had been correctly classified as capital and included at the correct value.
- Did not identify any revenue items that were incorrectly classified as capital.

Our review of judgements taken by management found that:

- Where relevant the capitalised spend clearly enhanced or extended the useful like of assets rather than simply repairing or maintaining the assets on which it was incurred.
- Other capitalised costs were directly attributable to bringing assets into operational use.

Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Significant risk

Land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets

What is the risk and potential impact on the financial statements?

There is a high degree of estimation uncertainty in the valuation of property, especially when the amount of PPE and IP in the case of the Council is many times our materiality for the audit. We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the Local Authority Code of Practice on Local Authority Accounting.

The risk therefore pertains to land and building assets, surplus assets and investment property. We considered the impact of Covid-19 on the risk but note that the market volatility brought about by the advent of Covid-19 in the last quarter in the prior year and throughout the 2020/21 year relates primarily to assets carried at a market value - either fair value (investment property and surplus assets) or existing use value (EUV) as a proxy for fair value (some of land and buildings). Asset carried at depreciated replacement cost (DRC) are not impacted in the same way (the majority of land and buildings).

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns the valuer was not be able to undertake site visits due to the restrictions in place due to Covid-19. Therefore, the valuer has performed a remote/desktop approach to value the properties, which increases the risk that the PPE and IP might not have been valued appropriately. The Council has also appointed a new external valuer for 2020/21 with no prior experience of the Council's asset base. This further increased the level of risk.

If land and buildings or investment property are incorrectly valued this could have the impact of understating or overstating the carrying value of assets and income and expenditure by a material amount.



Significant risk

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

We:

- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuer in performing its valuation (e.g. floor plans to support valuations based on price per square metre) and challenged the key assumptions used by the valuer.
- Tested accounting entries have been correctly processed in the financial statements.
- Ensured that appropriate disclosure had been made in the accounts concerning the possibility of 'material uncertainty'.
- Commissioned EY Real Estates (EYRE), our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. Sampling focussed on:
 - Assets more susceptible to the market volatility brought about by C-19. We consider this relates to assets carried at either fair value or EUV
 - Asset categories where errors were noted in the prior year.
 - Other significant classes of assets, for example schools, where we have no prior year knowledge of the approach of the new external valuer and there had been significant changes in the carrying value of assets from the prior year.

What are our findings & conclusions?

As at 14 September 2021 our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation. There is one issue from the work undertaken to date that we wish to draw to your attention. The carrying value of the Council's operational land and buildings classified

as PPE has decreased by approximately £500m, or by one-third, from the prior year. The majority of this change, approximately £375m, relates to a decrease in the carrying value of schools on the Council's balance sheet. The Council became aware, through its internal quality assurance checks, of significant decreases in the valuation of schools by its new external valuer, Bruton Knowles (BK), prior to preparing the draft financial statements. Based on our current understanding there are two main causes of the decrease in value:

- BK has applied a 'Modern Equivalent Asset' (MEA) approach where, for DRC valuations such as for schools, the valuation is based on the cost to construct an asset with equivalent service potential rather than a like-for-like replacement of the existing structure. This approach was not taken by the previous valuer who assumed a like-for-like replacement of the existing structure. This has resulted in the majority of the decrease in value.
- BK has taken a different approach to the valuation of the land on which schools are located compared to the previous valuer.

The Council has undertaken work to quantify the proportion of the decrease in schools value from the prior year that it estimates is related to the use of MEA to determine DRC. We have asked management to include disclosures in the amended financial statements to explain to a user of the accounts both the primary cause of the year-on-year change in valuation and the Council's view that the decrease in value is caused by a change in the estimation technique used by the valuer. This additional disclosure has now been included at Note 4, Property Plant and Equipment, and Note 43, Assumptions made about the future and other major sources of estimation uncertainty. We are continuing to consider this issue with a particular focus on whether the material decrease in value can be solely attributed to a change in estimation technique, or whether it is indicative of error in either the current or prior period. The results of the work of EYRE will help to inform this assessment.



Area of audit focus

Private Finance Initiative (PFI) (Inherent risk)

What is the risk?

The Council has three material PFI arrangements. PFI accounting is a complex area and therefore more susceptible to error, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17 and followedup in 2017/18 and 2018/19.

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

We reviewed the accounting entries and disclosures in relation to PFI in detail in 2020/21. In doing this we considered whether there had been significant changes to the contractual arrangements since the previous year. We confirmed there were no such changes and therefore that no changes needed to be made in the year to the under-pinning accounting models for any of the PFIs. Given no changes had been made to the accounting models we were able to continue place reliance on the prior year work of our internal expert to gain assurance they operate correctly.

For each of the three material PFI schemes at the Council we undertook testing of in-year inputs to the accounting models and agreed relevant entries in the financial statements to year-end outputs from each of the models. We also undertook work to gain assurance that PFI assets were correctly accounted for and disclosed on the Council's balance sheet.

Based on our work we are satisfied that:

- Inputs to the PFI models were supported by evidence.
- The models continued to operate correctly.
- Output from the models was correctly reflected by the relevant accounting entries and disclosures in the financial statements.
- PFI assets were correctly accounted for and disclosed.



Area of audit focus

Pension Liability and Asset Valuation (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 its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £674m in the draft financial statements.

The information disclosed is based on the IAS 19 report issued to the Council by its actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

We:

- Liaised with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council.
- Assessed the work of the West Sussex Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office (NAO) for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.

What are our findings & conclusions?

As at 14 September 2021 our planned work in this area is largely complete, but an issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. 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, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 22 September 2021 meeting.

One adjustment has been made as a result of our work to date to reflect the Council's share of the difference between the estimated value of Pension Fund assets submitted to Hymans Robertson and the final audited value of Pension Fund assets in its 2020/21 financial statements. This adjustment had the impact of reducing the IAS 19 pension liability on the Council's balance sheet by £7.8 million and increasing the pension fund reserve by an equivalent amount.



Area of audit focus

Going Concern (Area of audit focus)

What is the risk?

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there was a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Council was also required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

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

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Council's cashflow forecast covering the foreseeable future to ensure that it has sufficient liquidity to continue to operate as a going concern, including an assessment of any underlying need to borrow.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, in drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings & conclusions?

Management produced a going concern assessment to the end of the 2022/23 financial year. This was supported by cash flow forecasts and liability benchmark analyses which assessed the underlying need to borrow over the assessment period and consequential impacts on the Council's liquidity. The cash flow forecast and liability benchmark analyses modelled two reasonable scenarios. We reviewed and challenged both the cash flow forecasts and liability benchmark analyses and the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Council, which appears at Notes 41 and Note 42 to the accounts. Based on all of this we are satisfied that management's assessment is reasonable and supportable, and that disclosures in the financial statements are an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.



Area of audit focus

Accounting for Covid-19 related government grants (Inherent risk)

What is the risk?

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

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

We considered the Council's judgement on material grants received in relation to whether it is acting as:

- Agent, where it has determined that it is acting as an intermediary; or
- Principal, where the Council has determined that it is acting on its own behalf.

We sought to determine whether conditions were attached to the grant funding received and whether those conditions were met or not. Considering the outcome of the above we considered the appropriateness of the accounting treatment for the grants, in particular whether the grants were correctly classified, and whether associated disclosure were also accurate.

We also undertook detailed testing to ensure that income under the Government's Coronavirus Job Retention Scheme had been claimed and recognised in accordance with the scheme rules.

What are our findings & conclusions?

Based on our work we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.

Based on our own assessment and intelligence gained from other audits we further challenged the Council's assessment that it acts as agent in its role in administering the Adult Social Care Infection Control Grant. We ultimately concluded that the Council's assessment was not unreasonable, but asked management to further disclose the basis for their judgement. Management has included this additional narrative at Note 42 to the amended financial statements.

Our detailed testing of funding claimed under the Coronavirus Job Retention Scheme identified no issues.





Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Our opinion on the financial statements

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of West Sussex County Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Balance Sheet, Comprehensive Income and Expenditure Statement, Cash Flow Statement and the related notes 1 to 44 and Expenditure and Funding Analysis on page 23, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement at note 45.

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 West Sussex County Council 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 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 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 Director of Finance and Support Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 18 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Support 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 Director of Finance and Support 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



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Our opinion on the financial statements

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.

Responsibility of the Director of Finance and Support Services

As explained more fully in the Statement of Responsibilities set out on page 20, the Director of Finance and Support 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 Director of Finance and Support 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.



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Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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:

- the Local Government Act 1972;
- the Local Government Act 2003;
- the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020;
- the National Health Service Act 2006;
- the Local Audit and Accountability Act 2014; and
- the Accounts and Audit Regulations 2015.

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 West Sussex 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 and 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. 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 the inappropriate capitalisation of revenue expenditure 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 management override of controls, we tested the
 appropriateness of journal entries recorded in the general ledger and other
 adjustments made in the preparation of the financial statements; 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.



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Our 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 in April 2021, as to whether West Sussex 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 West Sussex 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, West Sussex 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.

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 value for money conclusion.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to address an objection received from a local elector. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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.

Use of our report

This report is made solely to the members of West Sussex 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.





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 and uncorrected differences

There are no unadjusted differences as at 14 September 2021.

There were no misstatements greater than £23.9m which have been corrected by management. The IAS19 pension liability has been reduced by approximately £7.8m, with a corresponding entry made to the pensions reserve, to adjust for differences between the Council's share of estimated Pension Fund assets considered by the actuary in determining the pension liability and the Council's share of actual Pension Fund assets accounted for in the final 2020/21 Pension Fund accounts.

A small number of other amendments were also made to disclosures appearing in the financial statements as a result of our work.



Value for money

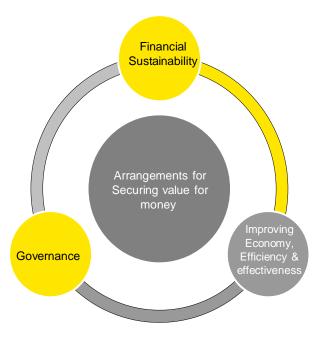
The Council's responsibilities for value for money (VFM)

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 an annual governance statement. In preparing its annual 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 have previously reported to the Committee the outcome of our assessment of the risk of significant weaknesses in the Council 's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.



Value for money

Status of our VFM work

As at 14 September 2021 we are continuing to undertake work to determine whether the objection raised has any impact on our value for money reporting or other audit responsibilities for 2020/21. Subject to this, 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 December 2021 as part of issuing the Auditor's Annual Report.



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 Statement of Accounts 2020/21 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 Statement of Accounts 2020/21 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 matters to report as a result of this work. 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 (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Autumn 2021. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

Charter 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 Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). As at 14 September 2021 we are continuing to undertake work to determine whether the objection raised has any impact on any of our other audit responsibilities for 2020/21.

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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report.





Assessment of Control Environment

Financial Controls

It is the responsibility of the 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 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, but wish to draw the following issues to your attention which follow-up on issues raised as part of our 2019/20 audit.

Completeness of the Authority's lease register

During the course of our prior year work we identified a number of operating leases present on the Council's lease register in 2019/20 that were not present in 2018/19 and prior years, even though the lease had been extant for a number of years. This was as a result of ongoing work by the Council to collate and review all contracts it is party to with the purpose of identifying contractual arrangements that may be operating lease agreements. The exercise was initiated by the Council in anticipation of the adoption of a new accounting standard, IFRS 16, which will significantly change accounting requirements in respect of leases when fully adopted, with adoption of the standard now planned for the 2022/23 financial year. We therefore recommended that the Council fully embed and continue to operate the new arrangements it established to ensure that all operating leases are identified and recorded on its lease register. Our current year testing has identified one further operating lease where the Council is lessee that has been extant since 2015 but not included on the lease register until 2020/21. The value of the omitted lease was not significant and the amounts omitted from prior year disclosures do not impact our responsibilities. However, given the finding we are not able to conclude the prior year recommendation has been fully addressed and therefore continue to raise it below.

Recommendation

Fully embed and continue to operate the new arrangements established by the Council to ensure that all operating leases are identified and recorded on the Council's lease register.



Assessment of Control Environment

Financial Controls (continued)

Related party declarations

As part of our work to gain assurance over related party transactions disclosed in the 2019/20 financial statements we identified that the Councill did not routinely request related party declarations from departing senior officers. Although we were satisfied that related party transaction disclosures appearing in the financial statements were complete we concluded this should be a routine part of the Council's processes to identify related party interests and transactions and raised an associated recommendation for improvement.

Our current year work on related party transaction disclosures in the 2020/21 financial statements has identified a further instance of a senior officer leaving in-year without providing a declaration of interests. We note the officer departed during November 2020 at around the time we issued the prior year recommendation, so arrangements to address the recommendation were not developed at the time of departure. We also acknowledge that it is often difficult to obtain declarations retrospectively. We were able to undertake alternative procedures to gain assurance that related party disclosures in the financial statements were complete. However, given the finding we are not able to conclude the prior year recommendation has been fully addressed and therefore continue to raise it below.

Recommendation

Ensure that related party declarations are routinely requested obtained for senior officers leaving the Council prior to their departure.





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.

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 table below sets out 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.

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.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee - Code work	£90,561	£90,561	£90,561
Planned 2019/20 recurrent fee variation reflecting the underlying level of additional risk at the Council yet to be agreed by PSAA (See Note 1)	£66,426	£66,426	£66,426
Revised Proposed Scale Fee agreed by the Council to date	£156,987	£156,987	£156,987
Risked based fee variations (see Note 2)	TBC	TBC	£60,500
Total Fees	TBC	TBC	£217,487

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work at a fee of £66,426 to deliver the audit in 2019/20 which we expect to reoccur in 2020/21 and subsequent years. This additional fee has been accepted by the Director of Finance and Support Services for 2020/21 and future years, but not 2019/20. The proposed recurrent fee variation has also not yet been approved by PSAA.

Note 2 - These 2019/20 risk based fees have been agreed with the Director of Finance and Support Services except for £1,000 relating to additional work on the Council's Whole of Government Accounts return. They have not yet been approved by PSAA. We are yet to fully quantify 2020/21 risk based fee variations and agree them with the Council. We will provide an update in due course.



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



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

There were no significant changes to our audit approach apart from the additional work we were required to undertake to address the requirements of the new auditing standard on accounting estimates. This primary impacted out audit procedures on:

- The revaluation of land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets.
- Pension liability and asset valuation.



Appendix B

Summary of communications

Date	Nature Nature	Summary
Throughout the year	Meetings, calls and emails.	The Associate Partner and Senior Manager has been in regular contact with the Director of Finance and Support Services and the corporate finance team in respect of the Council's risks, accounts closedown and the audit approach.
Throughout the year	Meetings, calls and emails.	The Associate Partner has met with the Director of Finance and Support Services and Chief Executive on a ad hoc basis throughout the year to discuss key audit findings and reporting up to the date of issue of this report.
All Regulation, Audit and Accounts Committee meetings held in the year	Committee attendance	The Associate Partner and/or Senior Manager have attended those meetings of the Regulation, Audit and Accounts Committee held throughout the financial year and to the date of issue of this report. All pre-meetings have also been attended. Specific reports issued and communications with the Committee are detailed in Appendix C.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.



Appendix C

Required communications with the Regulation, Audit and Accounts Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts 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.	Audit planning report - dated June 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - dated June 2021
Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - dated September 2021



		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty related to going concern Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The appropriateness of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about West Sussex County Council's ability to continue for at least 12 months from the date of our report.
Misstatements	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Material misstatements corrected by management 	Audit results report - dated September 2021
Subsequent events	• Enquiry of the Regulation, Audit and Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report - dated September 2021
Fraud	 Enquiries of the Regulation, Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Regulation, Audit and Accounts Committee responsibility. 	Audit results report - dated September 2021



		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity	Audit results report - dated September 2021
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees	Audit Plan - dated June 2021 and Audit Results Report - September 2021



		Our Reporting to you
Required communications	What is reported?	When and where
	 Details of any inconsistencies between the Ethical Standard and the Fund's policy for the provision of non-audit services, and any apparent breach of that policy Details of any contingent fee arrangements for non-audit services Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all expected confirmations.
Consideration of laws and regulations	 Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Regulation, Audit and Accounts 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 	We have asked management and those charged with governance. We have not identified any material instances or noncompliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	Significant deficiencies in internal controls identified during the audit.	Audit results report - dated September 2021



		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	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - September 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September 2021
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - September 2021
Fee Reporting	 Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan - dated June 2021 and Audit Results Report - September 2021



Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of West Sussex County Council ("the 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 financial statements give a true and fair view of the Council financial position of West Sussex County Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with the 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), 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 identifynor 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 ourselves:

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 the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the 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 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 financial statements.

- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Council, we believe that the 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. 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. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
- B. Non-compliance with law and regulations, including fraud
- 1. We acknowledge that we are responsible to determine that the 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 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 or regulations, including fraud that may have affected the 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 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 Council's activities, its ability to continue to operate, or to avoid material penalties;

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- 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 noncompliance 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;
- 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 all material transactions, events and conditions are reflected in the 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 committees held through 2020/21 to the most recent meeting of the Regulation, Audit and Accounts Committee held on 22 September 2021.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

- 5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 8. From the date of our last management representation letter at 20 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably 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 unauthorized access to our 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 to litigation and claims, both actual and contingent, and have disclosed in Note 40 to the financial statements all guarantees that we have given to third parties.



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E. Going Concern

1. Notes 41 and 42 to the financial statements disclose all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than as described in Note 38 to the 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.

G. Other information

- 1. We acknowledge our responsibility for the preparation of the 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.
- 2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land an d buildings classified as property, plant & equipment, investment property and surplus assets and valuation of pension liabilities and assets, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

I. Estimates

Revaluation of land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets

- 1. We confirm that the significant judgments made in performing the revaluation of land and buildings classified as PPE, IP and surplus assets have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
- 2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in performing the revaluation of land and buildings classified as PPE, IP and surplus assets.
- 3. We confirm that the significant assumptions used in performing the revaluation of land and buildings classified as PPE, IP and surplus assets appropriately reflect our intent and ability to carry out the revaluation on behalf of the entity.
- 4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 5. We confirm that appropriate specialized skills or expertise has been applied in undertaking the revaluation of land and buildings classified as PPE, IP and surplus assets.
- 6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic. Pension Liability and Asset Valuation
- 7. We confirm that the significant judgments made in performing the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
- 8. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in performing the pension liability and asset valuation.



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- 9. We confirm that the significant assumptions used in performing the pension liability and asset valuation appropriately reflect our intent and ability to carry out the revaluation on behalf of the entity.
- 10. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 11. We confirm that appropriate specialized skills or expertise has been applied in undertaking the pension liability and asset valuation.
- 12. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

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 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.

Yours faithfully,
Katharine Eberhart, Director of Finance and Support Services
Dr Nigel Dennis, Chairman of the Regulation, Audit and Accounts Committee

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