



Gloucester City Council

Report to the Audit and Governance Committee on the audit for the year ended 31 March 2019

Issued on 18 July 2019 for the meeting on 22 July 2019

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Governance Committee of Gloucester City Council (the Council) for the 2019 audit of Gloucester City Council. The scope of our audit was set out within our planning report presented to the Audit and Governance Committee in February 2019.

Status of the audit

Our audit is substantially complete subject to completion of the following principal matters:

- finalisation of audit work and reviews including the Value for Money and Annual Governance Statement work, asset revaluation work and response to a number of audit queries including the appropriateness of the implicit RPI rate as stated on page 8 applied to the Kings Walk Lease;
- completion of Pension Fund membership data testing;
- receipt of IAS19 letter from the pension fund auditor;
- finalisation of CIPFA checklist review;
- receipt of final draft of the financial statements;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2019 through to signing.

We will provide a verbal update at the Committee meeting.

Conclusions from our testing

At the time of issuing this report we have not identified any significant audit adjustments or disclosure deficiencies.

Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, however, we are finalising whether there are any matters in respect of the Council's arrangements specifically in relation to the findings presented in Purchasing, Low and Intermediate Transactions Internal Audit Report which would impact our opinion that the Council is securing economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

Introduction

The key messages in this report (continued)

**Narrative Report
& Annual
Governance
Statement**

- We will review the Council's Annual Report & Annual Governance Statement and consider whether it is misleading or inconsistent with other information known to us from our audit work.
- The Annual Governance Statement will be checked for compliance with the Delivering Good Governance guidance issued by CIPFA/SOLACE.
- We will update you verbally at the Audit Committee in relation to our findings in completing this audit work.

**Duties as public
auditor**

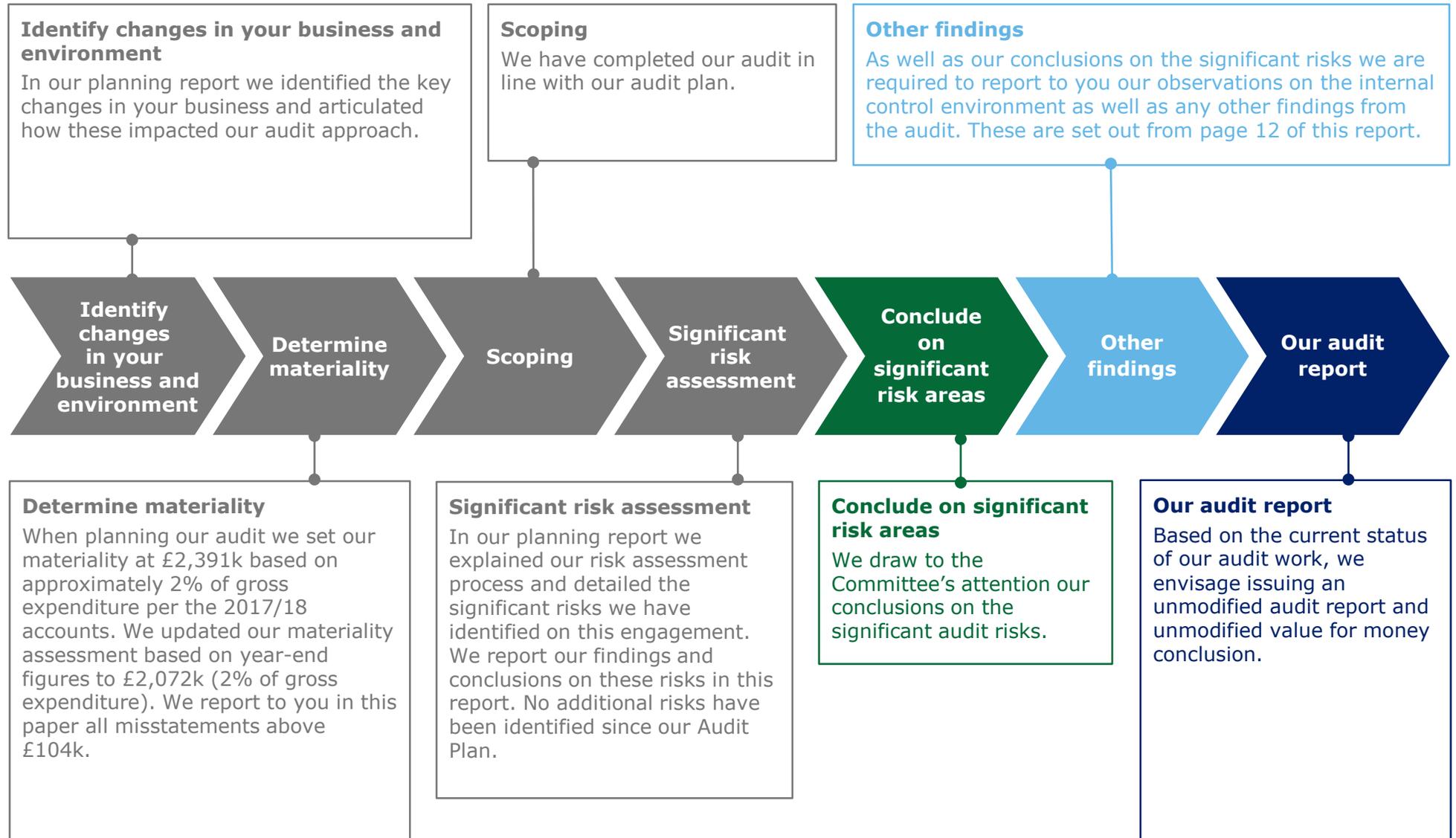
- We did not receive any queries or objections from local electors this year.
- We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

**Whole of
Government
Accounts**

- The Council is not a sampled component for WGA reporting.

Our audit explained

We tailor our audit to your organisation



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Completeness of Expenditure			D+I	Satisfactory		Satisfactory	7
Management override of controls			D+I	Satisfactory	TBC	TBC based on Kings Walk RPI assessment outcome	8

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Completeness of Expenditure

Risk identified

Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure and completeness and valuation of accruals and provisions.

Given the financial pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating accruals and provisions.

Deloitte response

- We obtained an understanding of the design and implementation of the key controls in place in relation to recording completeness and valuation of accruals and provisions;
- We performed focused testing in relation to the completeness of expenditure including a detailed review of accruals and provisions;
- As part of this focused testing we challenged any assumptions made in relation to year-end accruals and provisions;
- We reviewed how accurate the Council has been in calculating its current year provisions and accruals; and
- We reviewed the year-on-year movement in accruals and provisions and investigated any significant downward movements.

Deloitte conclusion

Based on the audit evidence obtained we conclude that expenditure is appropriately recognised. We consider management judgements to be within the reasonable range.

Significant risks (continued)

Management Override of Controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements are those which we have selected to be the significant audit risks and areas of audit interest: completeness of expenditure and valuation of the Council's estate and pension liability.

These are inherently the areas in which management has the potential to use their judgement to influence the financial statements.

Deloitte response

- We have tested the design and implementation of key controls in place around journal entries and management estimates;
- We risk assessed journals and selected items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest;
- We tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud, specifically in relation to material provisions;
- We reviewed the accuracy of calculating its current year accruals and provisions; and
- We have not become aware of any significant transactions that are outside the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Deloitte conclusion

We have not identified any significant bias in the key judgements made by management, however, we are awaiting consideration from our technical experts regarding the Kings Walk implicit RPI rate which is set at 2% over the next 44 years.

Other areas of audit interest

Pensions Valuation

Risk identified

The Council are part of the Local Government Pension Scheme operated by Gloucestershire County Council. The Council recognised a pensions obligation of £159m at 31 March 2018 which increased to £168m as at 31 March 2019 and a net liability of £68m. The Code requires that their year end carrying value should reflect the appropriate fair value at that date.

Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required for each council.

The pensions valuation is an area of audit interest due to the material values attached to the valuations and disclosures in the financial statements.

Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Hymans Robertson, including benchmarking of the assumptions applied.
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements for the year, we are awaiting the IAS19 letter from the Pension Scheme auditors.
- We have reviewed and challenged the calculation of the impact of the McCloud case on pension liabilities and have received an updated impact assessment from the actuary. We reviewed the disclosures within the accounts against the Code.
- We are currently awaiting data from Gloucestershire County Council to test the membership data included in the actuaries report.

Deloitte conclusion

The Council has not adjusted the net pension liability in the Balance Sheet for the estimated impact of the McCloud case and instead recorded it as a Contingent Liability. Deloitte's view is that Local Government Pension Scheme participating entities should increase their IAS19 net pension liability at 31 March 2019 for the estimated impact of the McCloud judgement. As the actuary has estimated the potential impact on the net pension liability as a £330k increase we have therefore recorded an unadjusted misstatement on page 24 for your consideration.

We have reviewed the actuarial assumptions and, on the whole, the set of assumptions is reasonable and lies towards the middle of the range of assumptions when compared with the Deloitte benchmarks. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

We will provide an update to the committee on the outstanding areas of testing outlined in our response.

Other areas of audit interest

Property Valuations

Risk identified

The Council held £54m of property assets (land and buildings) at 31 March 2018 which increased to £58m as at 31 March 2019. The increase was mainly due to £9m of property assets being transferred out of Assets Under Construction offset by downwards revaluation as a result of the Council undertaking a valuation exercise during 2018/19.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. There is therefore a risk that that the carrying value of assets not included in the Council's revaluation process in the current year materially differ from the year end fair value.

The property valuation is an area of audit interest as even though the year-end valuations are material they are performed by an independent expert on assets of a unique nature, such as schools and leisure centres whereby the valuations should not materially change year-on-year.

Deloitte response

- We understood how the Council assures itself that there are no material impairments (through the completion of an impairment review undertaken for assets not revalued within the year) or changes in value for the assets not covered by the annual valuation;
- We reviewed revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;
- We had a discussion with the Council's valuer and our own internal valuation specialists to understand the movements in property valuations; and
- Our internal specialists tested a sample of revalued assets and re-performed the calculation assessing whether the movement has been recorded through the correct line of the accounts.

In addition, we evaluated the basis of management's judgements relating to the classification of the Kings Walk Shopping Centre, and the basis and reasonableness of the underlying assumptions associated with the Kings Walk finance lease.

Deloitte conclusion

Work is still to be finalised in this area at the time of issuing this report as our internal specialists had not yet finalised their work in relation to the appropriateness of the year end revaluations sampled.

In addition, we have asked management and the internal valuer to perform an impact assessment for those assets which have not been revalued in the current year and which are revalued using a depreciated replacement cost against the build cost indices movement which occurred during 2018/19 to assess the likelihood of their being a material change in value in assessed not covered by the cyclical revaluation programme.

In addition, we are liaising with our technical experts in relation to Kings Walk.

Other areas of audit interest

Value for Money

Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Deloitte risk assessment

- We are considering the Councils medium and longer term plans in relation to Value for Money (VfM).
- We have reviewed the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes.
- We have considered the Council's financial results for the year against the budget that was set for the financial year.
- We are considering matters identified by the National Audit Office as potential value for money risks for Councils for 2018/19, with no additional issues noted from those detailed above.

Based upon the work performed in our risk assessment, we have not yet identified any significant audit risks consistent with our Planning Report.

Deloitte conclusion

We are finalising whether there are any matters in respect of the Council's arrangements specifically in relation to the findings presented in Purchasing, Low and Intermediate Transactions Internal Audit Report which would impact our opinion that the Council is securing economy, efficiency and effectiveness in the use of resources. We will however update the committee verbally of work finalised.

Other significant findings

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

	Observation	Deloitte recommendation	Management response
Preparation for IFRS 16	<p>The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met.</p> <p>We recommend the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit.</p>	<p>We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council's underlying accounting systems.</p>	Accepted
Formalising/Evidencing Controls	<p>An annual meeting between the Financial Services Manager and the One Legal team takes place, to establish any year end liabilities, however, we have been unable to view any evidence to confirm this (such as meeting minutes/documented actions following the meeting).</p>	<p>We recommend that the annual meeting between the Financial Services Manager and the One Legal Team to discuss any items which would have an impact on the financial statements be documented.</p>	Accepted

Other significant findings

Internal control and risk management – IT findings

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement opportunities to strengthen the Windows password security controls	<p>The following opportunity for control improvement was identified pertaining to password security controls:</p> <ul style="list-style-type: none">- The password security control for lockout duration is set to 30. This setting determines the period of time an account remains locked out after passing the threshold of invalid logon attempts. <p>By setting account lockout to 30 minutes, it allows the potential intruder to perform password compromising attacks every 30 minutes. The risk is particularly high with internal threats when the attacker is guessing passwords using social engineering skills and knowledge of the users.</p>	<p>We recommend management to set the account lockout threshold to 0, that will enable the account to remain locked out until an administrator manually unlocks it.</p> <p>Brute force password attacks can be automated to try thousands or even millions of password combinations for any or all user accounts. Limiting the number of failed sign-ins that can be performed will also help with elimination of the effectiveness of such attacks.</p>	TBC

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement opportunities in user access management controls	<p>The following opportunities for control improvement were identified pertaining to user access right management controls:</p> <ul style="list-style-type: none">- There is no formalised process for IT to monitor the access rights of internal movers within the business. Instead the monthly staff turnover report produced by the Council is being used to alert the IT team of movers.- There are no formal, periodic reviews of user access performed for Windows AD accounts or groups, to ensure that access assigned to users is appropriate for their role.	<p>Without strong controls over ongoing appropriateness of access, there is a risk that people who change role within the organisation may accumulate excessive privileges or that accounts held by former employees may remain active.</p> <p>User access reviews are vital in making sure that access is provided only on a need to do or need to know basis. Without performing regular user access reviews, management cannot ensure that access rights to information systems continue to match the job responsibilities of individuals.</p> <p>We recommend that management implement the following activities to reduce the associated risk:</p> <ul style="list-style-type: none">- A formal process to alert IT of internal movers in a timely manner.- A formal review of user accounts and access rights at least annually to detect dormant accounts and accounts with excessive privileges.	TBC

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement opportunities in change management control	<p>The following opportunities for control improvement were identified pertaining to change management controls:</p> <ul style="list-style-type: none">- There is no formalised change management policy in place to outline the processes and procedures to be followed when making changes to applications.- The current service desk tool used at the Council does have the capability for facilitating change management requests, but this functionality is not enabled. The current process involves logging requests in a manually maintained spreadsheet and having them peer reviewed.	<p>We recommend implementing the following activities in order to reduce the risk:</p> <ul style="list-style-type: none">- Create a change management policy to formalise the processes to be followed when requesting, approving, developing, testing and implementing changes to applications.- Enable the change management features in the service desk tool, so that change requests can be tracked and approved within the system, rather than recorded manually.	TBC

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement opportunities in Disaster Recovery and Business Continuity Processes	<p>The following opportunities for control improvement were identified pertaining to disaster recovery and business continuity:</p> <ul style="list-style-type: none">- The third party Civica have a Business Continuity Plan in place and can continue to provide services to the Council in the event of a disaster, however if the Council building is compromised and cannot be accessed there is no Recovery Plan in place for council employees with regards to relocating to a new location. <p>By not having a workplace recovery plan in place, there is an increased risk that business operations will be adversely impacted in the event that the building becomes inaccessible.</p>	<p>We recommend implementing the following activities in order to reduce the risk:</p> <ul style="list-style-type: none">- Introduce a workplace recovery plan which outlines the procedures for employees and third party support to follow in the event the Council building is inaccessible.- Disaster recovery tests should be conducted on a regular basis to ensure the plan works and to meet the organisation's recovery point objective (RPO) and recovery time objective (RTO) requirements. Testing procedures should integrate DRP testing results into planned maintenance and staff training programs.	TBC

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Inappropriate access to the server room	<p>The following opportunities for control improvement were identified pertaining to physical access to the server room:</p> <ul style="list-style-type: none">- The employee in charge of maintenance and cleaning of the Council building has unrestricted access to the server room.- Whilst there are logs maintained documenting entry times, these are not periodically monitored by the IT team. <p>By providing access to the server room to an employee outside of the IT department, there is an increased risk that this individual may intentionally or unintentionally perform an action which could directly impact the servers and result in system downtime and a disruption to business operations.</p>	<p>We recommend implementing the following activities to reduce the risk:</p> <ul style="list-style-type: none">- Perform periodic reviews over the server room logs to identify any suspicious or unapproved access.	TBC

Other significant findings

Internal control and risk management – IT findings (continued)

In support of our financial statement audit for 31 March 2019, we have performed procedures to assess the design and implementation of selected general IT controls as part of our audit risk assessment procedures. Set out below are our findings:

	Observation	Deloitte recommendation	Management response
Improvement opportunities in new user induction and awareness processes	<p>The following opportunities for control improvement were identified pertaining to induction, training and awareness of IT policies:</p> <ul style="list-style-type: none">- Whilst new starters to the Council are given one on one training from their peers or supervisors, there is no formalised process which requires them to familiarise themselves with the necessary IT Policy documentation.- All training and policy documentation is available on the new intranet portal Glosnet, however there is no enforced requirement for users to read and complete these.	<p>We recommend implementing the following activities to reduce the risk</p> <ul style="list-style-type: none">- Introduce a formalised induction pack which provides access to IT policies.- Offer ongoing, periodic training and awareness courses which enforce employees to revisit IT policies and pass assessments.	TBC

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

No issues have been identified.

Other matters relevant to financial reporting:

There are no other matters required to be raised.

Significant matters discussed with management:

There have been no significant matters arising from the audit.

We will obtain written representations from those charged with governance on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit are expected to impact on other significant sections of our audit report.



Our opinion on the financial statements

Our opinion on the financial statements is expected to be unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph. There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Our value for money conclusion

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). Our conclusion on the Council's arrangements is expected to be unmodified.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement..

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation. 	<p>We are finalising our assessment as to whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We are satisfied that the report is fair, balanced and understandable.</p> <p>We will update management and verbally update the Committee on our findings and where appropriate request revision in order to comply with guidance.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit.</p>

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit and Governance Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.

Ian Howse
for and on behalf of Deloitte LLP
Bristol
18 July 2019

Appendices



Audit adjustments

Unadjusted misstatements and disclosure deficiencies

The following uncorrected misstatement has been identified up to the date of this report which we are required to report as it is above our reporting threshold and we request that you consider whether to ask management to correct as required by ISAs (UK). Uncorrected misstatements (decrease) the surplus on the CIES by £330k, (decrease) net assets by £330k, and (decrease) usable reserves by £330k.

		Debit/ (credit) CIES £k	Debit/ (credit) in net assets £k	Debit/ (credit) prior year reserves £k	Memo: Debit/ (credit) usable reserves £k	If applicable, control deficiency identified
Misstatements identified in current year						
McCloud	(1)	330	(330)	-	(330)	N/a
Total		330	(330)	-	(330)	

1) In December 2018 the Court of Appeal ruled against the Government regarding pensions (McCloud) on the grounds of discrimination between scheme members based on their age. The Supreme Court has recently upheld that ruling. Deloitte are of the view that all Local Government Pension Scheme participating entities should increase their IAS19 pension liability at 31 March 2019 for the estimated impact of the McCloud judgement.

Disclosure Deficiencies

At the time of issuing this report we are finalising our review of the CIPFA checklist. We will update management and verbally update the Committee on our findings and where appropriate request revision in order to comply with guidance.

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the Council .

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified completeness of expenditure and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance and have not identified any further risks relating to fraud

Concerns:

No concerns to raise.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with FRC Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	The audit fee for 2018/19, in line with the fee range provided by PSAA, is £48,857. No non-audit fees have been charged by Deloitte in the period.
Non-audit services	In our opinion there are no inconsistencies between FRC Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL 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 our objectivity and independence. We are not aware of any relationships which are required to be disclosed.



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