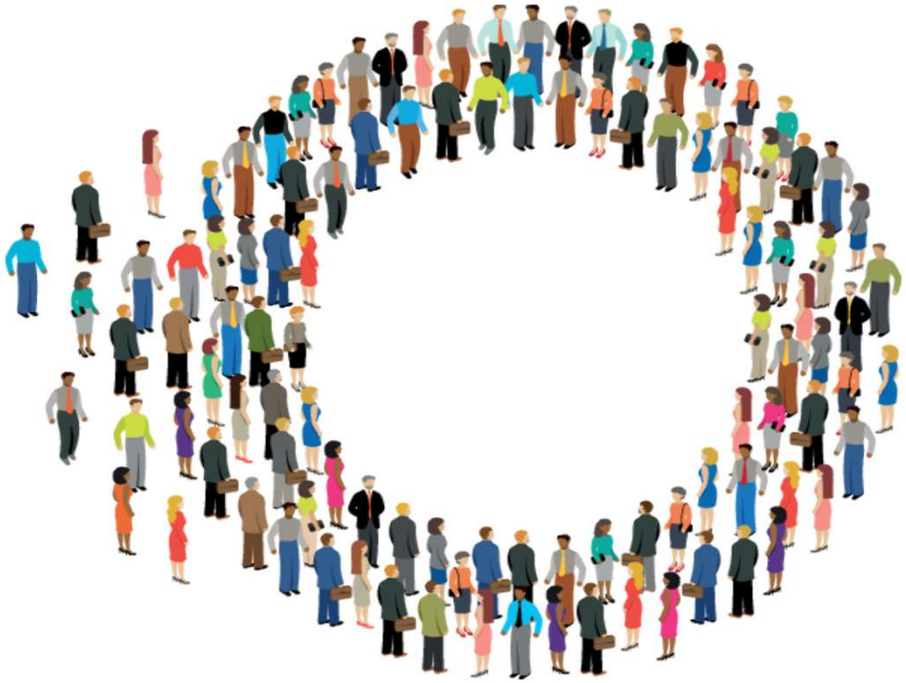
Deloitte.

Gloucester City Council
Transforming Your City



Gloucester City Council

Report to the Audit and Governance Committee on the audit for the year ended 31 March 2020

Issued on 14 September 2020 for the meeting on 14 September 2020

Deloitte Confidential: Government and Public Services

Contents

01 Our final report

02 Appendices

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 2020 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 January 2020.

Status of the audit	Our audit is substantially complete subject to completion of the following principal matters: • finalisation of audit work including, Narrative Report, review points on Value for Money, asset revaluation work and response sign off on the prior year adjustment of the capitalised asset value of Kings Walk; • completion of Pension liability and asset testing including receipt of IAS19 letter from the pension fund auditor – expected in October due to timing of pension audit and impact of the Goodwin case; • audit of the consolidation including the Authorities share of the JV assets and liabilities • finalisation of CIPFA checklist review and disclosures in the financial statements; • receipt of final draft of the financial statements; • completion of internal quality assurance procedures; • completion of going concern procedures; • receipt of signed management representation letter; and • our review of events since 31 March 2020 through to signing.
Conclusions from our testing	At the time of issuing this report we have not identified any significant audit adjustments or disclosure deficiencies, however items may be identified on completion of the outstanding items above, excluding the potential of the material prior year adjustment. 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. In 2017/18, the Council entered into a finance lease for Kings Walk which was capitalised as a finance lease asset, this was subsequently impaired down by £17m, to £2.9m at the end of financial year 2017/18. Management and Deloitte have concluded the valuation basis to be incorrect and propose to restate the finance lease asset to the amount on inception and subsequently revalue the asset based on the valuation without the outward rental payments by the Council to Canada Life. As the amount is material, a prior year adjustment would be required, this also requires restatement of the prior year comparatives.

Introduction

The key messages in this report (continued)

Conclusions from our testing (continued)	We have reviewed management's VfM paper on the purchases of St Oswalds retail park and Eastgate Shopping centre and conclude that these were made in line with the Council's regeneration strategy. The Council has a rolling valuation over a four year period, part of this rolling revaluation, some assets are externally valued. Externally valued asset's valuation report's have included a material uncertainty paragraph regarding the potential impact of Covid-19 on asset valuations. This is expected and has been seen on most valuations during the Covid-19 period. The Council has disclosed this within note 3 of the financial statements and we expect to make reference to this in our opinion as an Emphasis of Matter.
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 the progress 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.
Impact of Covid-19	The impact of Covid-19 has led to a material uncertainty being identified by the Council's external property valuer regarding the valuation of properties. This is based on guidance from RICS. As a result we have an referred to this in our opinion in the key audit matter on property valuations. There are no other significant impacts of Covid-19 on the Council's Accounts and Annual Report identified at this time. Further impact of Covid-19 can be seen on slide 20.
Whole of Government Accounts (WGA)	The Council is not a sampled component for WGA reporting.

Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping

We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. These are set out from page 13 of this report.

Determine materiality

When planning our audit we set our materiality at £2,072k based on approximately 2% of the Council's yearend gross expenditure. We updated our materiality assessment based on year-end figures to £2,272k (2% of gross expenditure). We report to you in this paper all misstatements above £113k.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report. No additional risks have been identified since our Audit Plan.

Conclude on significant risk areas

We draw to the Committee's attention our conclusions on the significant audit risks.

Our audit report

Based on the current status of our audit work, we envisage issuing an audit report with and Emphasis of Matter in relation to the Material Uncertainty on valuations and unmodified audit opinion with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

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 Creditors	✓	✓	D+I	Satisfactory	●	Satisfactory	7
Management override of controls	✓	✓	D+I	Satisfactory	●	Satisfactory	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 Creditors

Risk identified
Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of creditors.

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 creditor balances such as 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 creditors;
- We performed focused testing in relation to the completeness of creditors including a detailed review of creditors;
- As part of this focused testing we challenged any assumptions made in relation to year-end creditors;
- We reviewed how accurate the Council has been in calculating its current year accruals by focussed unrecorded liabilities testing; and
- We reviewed the year-on-year movement in accruals and provisions investigated any significant downward movements.

Deloitte conclusion

We have completed our testing with no issues to communicate.

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 creditors 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 Excel Analytics based on criteria which we consider to be of audit 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 the accuracy of calculating its current year accruals and provisions;
- We have not become aware of any significant transactions apart from the purchase of St Oswalds and Eastgate shopping centre, 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; and
- We are currently in progress on reviewing accounting estimates for biases that could result in material misstatements due to fraud.

Deloitte conclusion

Audit testing is complete and we have not identified any significant bias in the key judgements made by management.

Other areas of audit interest

Pensions Valuation (continued)

Risk identified

The Council are part of the Local Government Pension Scheme operated by Gloucestershire County Council. The Council recognised a pensions obligation of £168m at 31 March 2019 which decreased to £146m as at 31 March 2020 and a net liability of £56m (31 March 2019 £69m). 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.

McCloud Judgment

The Council's pension liability is derived from actuarial estimates of the assets and liabilities of the Local Government Pension Scheme (LGPS). The scheme is affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Last year the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability.

The Council commissioned its actuaries in the prior year to revise its liability assumptions for the LGPS. The result was an increase of £330k, in 2018/19. Within the 2019/20 financial statements a revision been made to the previous allowance for the recent McCloud ruling (following the publication of the Ministry of Housing, Communities and Local Government (MHCLG) as the consultation was completed in July 2020. The impact is not material.

The NAO are working with GAD to provide a remedy to enable the impact of the consultation which was completed in 2020 to be assessed without requiring IAS19 reports to be re-run. Once this has been released we will be work with the Authority to calculate the potential impact.

Goodwin Judgement

The Goodwin judgement relates to sex discrimination as a result to changes that were made to pension rights for same sex married couples and relates to a tribunal ruling that was made on the 20th June 2020. For accounting at 31 March 2020, we note that the Council's pensions accounting in respect of LGPS makes no allowance for the Goodwin ruling, however the NAO are liaising with the MHCLG, in order to provide guidance to auditors in relation to this matter.

Other areas of audit interest

Pensions Valuation (continued)

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 have written to the auditors of Gloucestershire County Pension fund and are yet to receive the IAS19 letter, on conclusion of their work.
- We currently assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements for the year and will compare to the IAS 19 letter when receipted.
- Our specialists are currently reviewing and finalising their work on the assumptions made by Hymans Robertson.

Deloitte conclusion

Actuarial assumptions are currently being finalised by our internal specialist with comparison to Deloitte benchmarks. There are no substantive issues with regards to assumptions being used. Finalisation of the work will allow us to conclude whether the assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.
We are to review and challenging of the IAS 19 letter from the pension scheme auditor when receipted.
Conclusion of work on pensions valuations will be post review and clearance of review points by the audit team.

Other areas of audit interest

Property Valuations

Risk identified

The Council held £58m of property assets (land and buildings) at 31 March 2019 which increased to £76m as at 31 March 2020 (excluding the adjustment for Kings Walk). The increase was mainly due the purchase of the Eastgate shopping centre resulting in £3m addition in year and transfer of £9m from the investment property asset class. 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 Kings Walk Square and shopping centre was impaired from the present value of the minimum lease payments to the fair value of the Council's lease liability of the lease and concluded by the Council that the finance lease asset is held at the incorrect amount on the balance sheet since 2017/18. A prior year restatement is required in the current year financial statements to adjust the current year and show the restate prior year balance, to the PV of the minimum lease liability at the time of the finance lease inception and revalued without outward the rental payments by the Council to Canada Life. Please see page 12 for further details.

We have discussed and agreed the above issue with our technical specialists, however are awaiting formal sign off when the updated accounts are received.

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 have re-performed the calculation assessing whether the movement from the revaluation has been recorded through the correct line of the accounts; and
- Our Deloitte Real Estate specialists have tested a sample of revalued assets of the assumptions used in the valuation, holding discussion with the Council's internal valuer and assessing the impact on assets which have not been revalued in the current year.

Deloitte conclusion

Work has been completed by our Real Estate Specialists and recommendations raised by our specialists will be communicated to management.

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 2019/20 to assess the likelihood of their being a material change in value in assessed not covered by the cyclical revaluation programme.

As stated on page 4, we expect to make reference to the material uncertainty disclosed by external valuers through an Emphasis of Matter paragraph in our audit report.

Other areas of audit interest

Property Valuations – Kings Walk

Background

On 7 July 2017, Gloucester City Council entered into a lease and reversionary lease agreement with Canada Life Ltd for the Kings Walk Shopping Centre, for a period totalling 45 years. This was a complex transaction which required specialist accounting advice from Grant Thornton.
On initial recognition, IAS 17 requires the lessee to recognise an asset and liability on the statement of financial position at the amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Both must be determined at the inception of the lease.

Upon completion the Council recognised a lease liability relating to future rental payments of £29.8m. A right of use asset was recognised with a value of £19.9m representing the lease liability of £29.8m after deduction of lease incentives received on completion of £9.9m.
The asset was subsequently revalued to £2.9m in 2017/18 and to £1.6m in 2019/20, by external valuers, which the council believed to represent the fair value as determined by independent valuers at that point in time.

The issue and prior year restatement

in 2019/20, management noted that the valuation has been calculated on a Discounted Cash Flow (DCF) method and the valuation of £2.9m (2017/18) and £1.6m (2019/20) represents the Council's leasehold interest only, which is appropriate for such an asset. However, as the asset is a finance lease the present value of the finance assets liability has already been accounted for, therefore a valuation under DCF also accounts for the rental payments to Canada life for the remainder of the lease term.
Due to the fact that the revaluation was used for impairment purposes, an impairment of £17m was put through the comprehensive income and expenditure statement at 31 march 2018 and subsequently in the following years with the external valuation reports. This meant that the liability of future rental payments to Canada Life were double counted. Depreciation for 18/19 and 19/20 was also calculated on the lower value.

To correct the error, the asset is required to be reverted back to the value at inception and subsequently impaired or a gain recognised based on the valuation report for Kings Walk excluding the future rental payments to Canada Life. The Council will be required to obtain this calculation from the valuers or adjust the valuation to exclude future rental payments to Canada Life, this will be subject to audit when completed, from 2017/18 to the current year.
This will be a material prior year restatement in the 2019/20 accounts as the 2018/19 comparative figures will be required to be restated and appropriate disclosures in accordance with IAS 8 are required.
Management are to re-calculate the final adjustment to the reversal of the impairment and any impact on the revaluation reserve, however due to the £17m impairment in 2017/18 the adjustment will be material.

Deloitte conclusion

We have discussed and agreed the above issue with our technical specialists, however are awaiting formal sign off when the updated accounts are received and reviewed for appropriate disclosures.

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) and queried the impact of Covid 19 on the plan.
- We have considered the Council's financial results for the year against the budget that was set for the financial year.
- We identified a risk to VfM from the purchase of St Oswalds retail park and Eastgate Shopping centre for the consideration of £64m. We have reviewed management's VfM paper on the purchases and conclude that these were made in line with the Council's regeneration strategy.
- We are reviewing the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes.
- We are considering matters identified by the National Audit Office as potential value for money risks for Councils for 2019/20, with no additional issues noted from those detailed above.

Based upon the work performed in our risk assessment, we identified the purchase of the Retail Park and Shopping centre as a risk to VfM, which was consistent with our audit plan and have reviewed how these purchases were inline with the Council's regeneration strategy.

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, the Annual Governance Statement and Narrative report.

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
Complete Fixed Asset Register	It was identified that Nil NBV items were not included on the Fixed Asset Register and it was identified that several assets with Nil NBV which were not in use still made up the cost and accumulated depreciation disclosure on the fixed asset note. The fixed asset register reconciled on a NBV basis to the note but not cost. The impact of this is that the Fixed Asset register firstly does not tie back to the note on a cost basis and the cost amount disclosed is overstated due to asset costs not being removed.	We recommended that the FAR contains all assets which are in use and reconciled to the fixed asset note on a cost and NBV basis.	Exercise to be done to remove assets no linger in use from the cost balance and to ensure the FAR reconciles on a cost basis.

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.

Significant matters discussed with management:

There have been no significant matters arising from the audit.

Other matters relevant to financial reporting:

There are no other matters required to be raised.

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 at the date of this report, however work in this section is ongoing and we will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Emphasis of matter and other matter paragraphs

Due to the disclosure of a material uncertainty clause in external valuation we envisage that it is 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

Work is ongoing on the Annual Report to review 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	The Narrative Report is expected to address (as relevant to the Council): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation.	We are finalising our assessment as to whether the Narrative Report has been prepared in accordance with CIPFA guidance. Work around the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit is still ongoing. We will conclude when we are satisfied that the report is fair, balanced and understandable. We will update management and when all reviews are completed of our findings and where appropriate request revision in order to comply with guidance.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	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.

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.

Who we report to

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.

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.

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

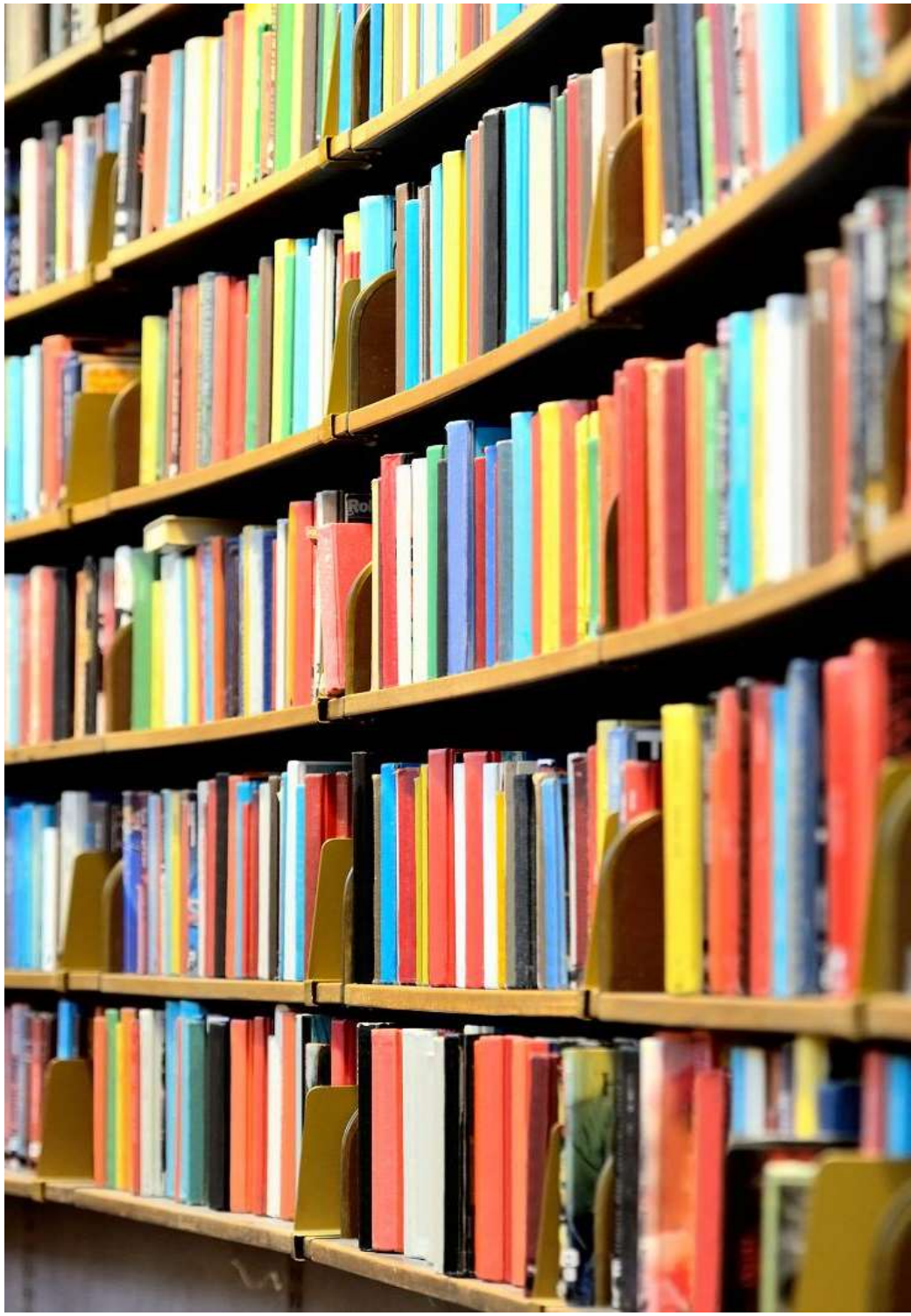
Michelle Hopton

for and on behalf of Deloitte LLP

Bristol

14 September 2020

Appendices



The Impact of Covid-19

Covid-19 pandemic and its impact on our audit.

CIPFA has issued guidance highlighting the importance of considering the impact of COVID-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments.

In a normal year we perform the majority of the audit work on client site, however due to the pandemic we have been working remotely and sharing information over a sharepoint site which has been set up. We have maintained catch-up calls with management and arranged calls for explanations and discussions.

Impact on annual report and financial statements

Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors has issued a practice alert, as a result of which, valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. External valuations for the Council has shown that a material uncertainty clause has been included. The Council have disclosed this in note 3 of the financial statements this will result in an Emphasis of Matter in our audit report. We would also expect there to be a material valuation uncertainty in respect of investment properties.
Impact on pension fund investment measurement	As a result of the Covid-19 pandemic pension fund investments have been subject to volatility. It is important to ensure that measurements for the IAS 19 report is updated to the most available data as at 31 March 2020. Where Covid-19 has caused such volatility it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation.
Going concern assessment	The Council needs to report on the impact of financial pressures and its financial sustainability in the narrative report and the relevant liquidity reporting requirements under the Code's adoption of IFRS 7 Financial Instruments: Disclosures.
Events after the reporting period and relevant disclosures	Local authorities began to see the most substantial impacts of Covid-19 in March 2020 and therefore before the end of the reporting period. The Council will need to consider the events after the Reporting Period and whether these events will be adjusting or non-adjusting and make decisions on a transaction by transaction basis. The council will need to make significant judgements about these decisions and the nature of the Covid-19 pandemic will mean that they will need to continually review and update these assessments up to the date the accounts are authorised for issue.

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).

	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					
No items to note at the point of issue of this report					
Total	–	–	–	–	

Disclosure Deficiencies

At the time of issuing this report we are finalising our review of the CIPFA checklist. We will update management 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 creditors 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 the external audit of Gloucester City Council in 2019/20, provided by PSAA, was £48,857. Due to the work completed on the prior year adjustment and further time spent on technical accounting areas, discussions will be held with management of the amount of overrun fees. Audit fees in accordance with DWP specification to include case checks from the headline cells and completion of the DWP workbooks, is £10,000 prior to any additional testing is required. Where additional (40+) testing is required either under the CAKE requirements or due to detection of errors. Cases for testing will be selected by the audit team and communicated to the Authority's team for testing. Team will then perform limited subsampling of the results of this testing. Additional £1,500 of fees per cohort of 40+ testing will be required. Furthermore, where drafting and agreeing a qualification letter is required, there will be additional fees of £1,500.
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.

Deloitte.