



Stroud District Council

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

Issued on 21 July 2019 for the meeting on 25 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 Standards Committee of Stroud District Council (the Council) for the 2019 audit of the Council. The scope of our audit was set out within our planning report presented to the Audit and Standards Committee in January 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 and pension work. Specifically:
 - receipt of a report from our estates valuation specialists;
 - completion of Pension Fund membership data testing; and
 - assessment 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. We are currently finalising our work in respect of the Annual Governance Statement and whether there are any matters in respect of the Council's arrangements specifically in relation to the findings presented in the Multi Service Contract Internal Audit Report issued in October 2018 and the review of audit work completed to confirm the current position in relation to these findings which would impact our opinion that the Council is securing economy, efficiency and effectiveness in the use of resources.

Introduction

The key messages in this report (continued)

**Narrative Report
& Annual
Governance
Statement**

- We have reviewed the Council's Annual Report to consider whether it is misleading or inconsistent with other information known to us from our audit work and work is being finalised to complete the same in respect of the Annual Governance Statement.
- 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 and Standards Committee in relation to our findings in completing this audit work.

**Duties as public
auditor**

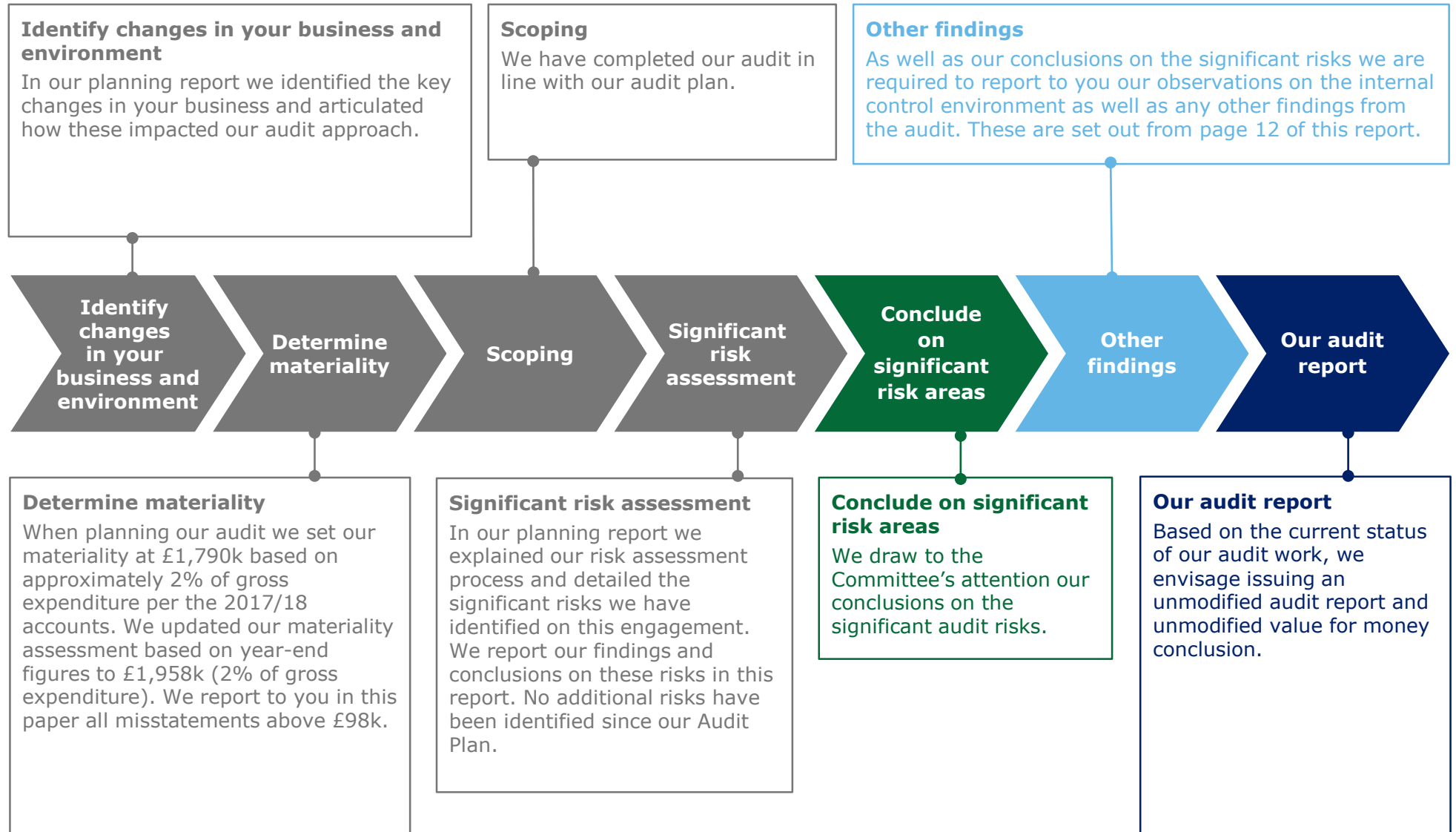
- We did not receive any queries or objections from local electors this year.
- We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

**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 |  | 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 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 which is completeness of expenditure and areas of audit interest: valuation of the Council's estate and pension liability. We have not identified any matters during the audit which changed our risk classification.

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; 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.

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 liability of £133m at 31 March 2018 which increased to £148m as at 31 March 2019 and a corresponding net liability of £49m which is recognised in the Balance Sheet. 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 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 £294k increase which is not material to the financial statements we have recorded an unadjusted misstatement on page 22 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 £313m of property assets (land and buildings) at 31 March 2018 which decreased to £298m as at 31 March 2019. The decrease was mainly due to £9m revaluation downwards of Council dwellings 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;
- Our internal specialists have had a discussion with the Council's internal and external valuers to understand the movements in property valuations;
- Our internal specialists have 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, the Council has prepared an impact analysis of those assets not revalued in the current year which when revalued are revalued on a depreciated replacement cost basis, to estimate the impact of any changes to local build cost indices, the impact has been determined as immaterial.

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 and the audit team are yet to validate managements assessment of those assets not revalued in the current year.

However, we are satisfied with the accounting treatment in relation to the revaluations completed.

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.

During our planning of our audit we identified specific interest in relation to the overspend being incurred in relation to the Council's Multi-Service contract with UBICO, the Council's waste management provider. The original contract allowed UBICO to recharge costs incurred rather than a fixed amount. Since the contract commenced in 2016 costs have escalated beyond budget due to the uptake in the Council's recycling scheme and the associated costs. The contract is expected to cost £5,640k in 2018/19 (£5,473k in 2017/18) and at 31 August 2018, the budget in relation to this contract is projecting a £784k overspend. Efficiency measures were implemented in July 2018 which are expected to create annual savings of £200k. In October 2018 Internal Audit completed a Follow Up of their Multi Service Contract work and re-issued a Limited Assurance opinion.

Deloitte risk assessment

- We have considered the Council's medium and longer term plans in relation to Value for Money (VfM).
- We have reviewed the Council's draft Narrative Report and relevant Council papers and minutes and review is underway of the Annual Governance Statement.
- We have considered the Council's financial results for the year against the budget that was set for the financial year.
- We have considered 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.
- Work is underway in relation to the UBICO contract.

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 UBICO contract 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> | <p>Some preliminary work has been done on this, and a full impact assessment will be completed during the financial year 2019/20. The aim is also to complete an adjusted opening balance sheet position following the March 2020 audit.</p> <p>Responsible Officer: G Bailey Date for completion: July 2020</p> |
| Financial statements | <p>Whilst the quality of the narrative in the financial statements is deemed high standard. We identified that the reconciliation between the trial balance and the accounts contained a number of manual adjustments and was not easy to map. In addition, supporting working papers for the notes to the financial statements required significant efforts to understand and reconcile and often resulted in a number of adjustments being made to the financial statements.</p> <p>In addition, we identified that the cashflow contains a balancing figure. This is below our reporting threshold, however, it is not deemed good practice to make the cashflow balance this way.</p> <p>Further, we identified that the accounts included a number of analysis notes which were difficult to reconcile to supporting documentation and audit. A number of these seemed to present additional information over and above CIPFA requirements.</p> | <p>It is recommended that an exercise be undertaken to map the trial balance to the financial statements and that this working paper be expanded to also link the primary statements to the supporting disclosure notes.</p> <p>In addition, it is recommended that the cashflow statement is re-worked to ensure that it balances.</p> <p>Finally, it is recommended that the accounts are reviewed to streamline the accounts to include information that adds value to the reader whilst being CIPFA compliant at the same time.</p> | <p>A piece of work has already commenced to utilise BusinessWorld reporting functionality to automate production of the Statement of Accounts, to include mapping from the Trial Balance to the primary statements and disclosure notes.</p> <p>Responsible Officer: L Clothier Date for completion: March 2020</p> <p>The cash flow statement will be re-worked in the manner recommended.</p> <p>Responsible Officer: G Bailey Date for completion: March 2020</p> <p>A review of the need for particular notes and analysis will be conducted to streamline the Statement of Accounts where possible, without compromising on CIPFA compliance.</p> <p>Responsible Officer: G Bailey Date for completion: March 2020</p> |

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 threshold is set to 'Unlimited'. This setting determines how many invalid login attempts a user can make before the system locks their account. <p>By setting lockout threshold to be unlimited, it allows the potential intruder to perform constant password compromising attacks without the risk of the account locking. 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 add a lockout threshold figure which provides a balance between operational efficiency and security. To allow for user error and thwart brute force attacks a value of 10 is recommended and this should be altered accordingly based on the organisations risk level.</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 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 |
|---|--|---|--|
| No formalised reviews of user access on Business World | <p>The following opportunity for control improvement was identified pertaining to user access management controls:</p> <ul style="list-style-type: none">- Whilst an informal review of Business World users is performed on an ad-hoc basis, this review is not formalised and documentation of the review is not recorded. | <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 introduce a formal review of user accounts and access rights at least annually to detect dormant accounts and accounts with excessive privileges. The related review should be designed to include all accounts in the system, such as accounts being used by external contractors, etc. and follow up procedures to ensure remediation actions are taken and the excessive level of accesses granted are disabled on a timely basis.</p> | <p>A formal review of user accounts and access rights will be conducted annually.</p> <p>Responsible Officer: S Surty</p> <p>Date for completion: October 2019</p> |

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 |
|---|--|---|---------------------|
| No Disaster Recovery and Business Continuity arrangements in place | <p>The following opportunity for control improvement was identified pertaining to disaster recovery and business continuity:</p> <ul style="list-style-type: none">- There are currently no disaster recovery or business continuity plans in place at the Council, which set out the procedures to be followed in the event that the IT systems need to be recovered or the building is inaccessible. | <p>We recommend implementing the following activities to reduce the risk:</p> <ul style="list-style-type: none">- Introduce formalised disaster recovery and business continuity plans.- 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 |
|--|--|---|---------------------|
| Formal monitoring of third parties is not performed | <p>The following opportunity for control improvement was identified pertaining to third party activity:</p> <ul style="list-style-type: none"> - There is no formalised monitoring performed with regards to third parties who provide services and support for IT systems used at the Council. | <p>We recommend implementing the following activities to reduce the risk:</p> <ul style="list-style-type: none"> - Maintain logs of user activity in the system to monitor logon and logoff times, systems accessed, commands issued and responses received. - Conduct session recordings for any third party activity in sensitive environments. | TBC |
| Improvement opportunity in data leakage assessments | <p>The following improvement opportunity was identified pertaining to data leakage controls:</p> <ul style="list-style-type: none"> - There has been no formal data leakage risk assessment performed during the audit period. | <p>We recommend performing a data leakage risk assessment in order to assess the risk of relevant data types identified within the business, if a data breach were to occur.</p> <p>Factors to consider in assessing the risk are:</p> <ul style="list-style-type: none"> - Whether the data is protected by regulations - Value of the data - Impact to customers - Impact on brand and reputation <p>Based on the outcome of the risk assessment the highest risk data should be prioritised in data loss prevention activities, to ensure it is protected first.</p> | TBC |

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 and we will inform the committee verbally in respect of our conclusion once the work in relation to UBICO has been completed.



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 any findings as the CIPFA checklist work is finalised 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 are currently assessing 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 Standards 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 Standards 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
19 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 £294k, (decrease) net assets by £294k, and (decrease) unusable reserves by £294k.

| | | Debit/ (credit) CIES £k | Debit/ (credit) in net assets £k | Debit/ (credit) prior year reserves £k | Memo: Debit/ (credit) unusable reserves £k | If applicable, control deficiency identified |
|---|-----|-------------------------------|--|---|---|---|
| Misstatements identified in current year | | | | | | |
| McCloud | (1) | 294 | (294) | - | (294) | N/a |
| Total | | 294 | (294) | - | (294) | |

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 | <p>The audit fee for 2018/19, in line with the fee range provided by PSAA, is £40,021.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p> |
| 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 | <p>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.</p> <p>We are not aware of any relationships which are required to be disclosed.</p> |



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