Appendix A

Deloitte.

Lewes District Council

Lewes District Council

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

Issued on 20 September 2021 for the meeting on 27 September 2021

Contents

Introduction

The key messages in this report

This report sets out the status of the 2018/19 audit of Lewes District Council (the Council). The scope of our audit was set out within our planning report previously presented to the audit committee.

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.

Status of the audit

We have worked with management to progress the audit, with most areas at an advanced stage. Although there are some outstanding areas for which we require additional support or explanations, there is an on-going provision of information and management expect to be able to provide the information required. We would like to take this opportunity to thank management for the assistance and support that enabled to progress this audit to the current stage.

The remaining outstanding areas of the audit are:

- some supporting documents for selected samples for revenue and expenses testing;
- responses to our valuation specialist request relating to valuation of property, plant and equipment (“PPE”) and investment properties as referred on page 7;
- some remaining explanation and reconciliations relating to current liabilities;
- receipt of remaining supporting documents for journal entry samples related to our testing on management override of controls;
- the revised set of financial statements addressing the findings identified in the classification and presentation of revenue and expenses in both current and previous years, inclusion of missing disclosures and fixing call & cast issues;
- completion of quality assurance review procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2019 through to signing.

Conclusions from our testing

We have included in this paper the status of testing of key areas of the financial statements.

Management have made a number of adjustments to the financial statements during the course of the audit, including:

- Entries in relation to debtors and creditors;
- Entries in relation to cash and cash equivalents;
- Adjustments in relation to various income and expenditure balances and classifications; and
- The valuation of pension assets and liabilities.

We have identified a number of other adjustments (page 19 and 20), the most significant of which management have agreed to adjust.

Subject to resolution of the matters noted above, we envisage issuing an 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.

We have considered the impact of the Covid-19 pandemic on our work – this is a non-adjusting subsequent event in relation to the 31 March 2019 financial statements. This has been updated as a subsequent event in the latest version of the 2018/19 financial statements.

We have identified a number of internal control recommendations set out on page 11.

Introduction

The key messages in this report (continued)

Financial Sustainability and Value for Money	• Our review of the Council's arrangements has concluded that in the year to 31 March 2019, there are no material matters which we need to report in our Auditor's report on the financial statements with respect to the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("value for money"). • As noted on page 15, the Council has a relatively low level of General Fund reserves, increasing the risks to financial sustainability, particularly in the context of the pressures from Covid-19 on income and expenditure going forward. However, this does not impact our value for money conclusion for the 2018/19 financial year. Further details on value for money are on page 9.
Narrative Report & Annual Governance Statement	• We have reviewed the first draft of Council's Annual Report & Annual Governance Statement (and the Addendum to the Annual Governance Statement) to consider whether it is misleading or inconsistent with other information known to us from our audit work. • We have no significant matters to raise with you in respect of the Narrative Report. The timing of the work on the report means that we have asked management to include some brief subsequent events disclosures with respect to Covid-19 and its future impact on the council (relative to the 31 March 2019 financial statement date). • We are yet to receive the revised set of financial statements and we will be reviewing this together with the revised Council's Annual Report & Annual Governance Statement to consider any inconsistency from our audit work
Duties as public auditor	• We did not receive any formal 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.

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 scope our work, including the nature and extent of our procedures, in a way which responds to this detailed risk assessment as communicated in 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 on pages 11 to 14 of this report.

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality
When planning our audit we set our materiality at £1.8m based on approximately 2% of forecast gross expenditure. There have been no amendments to materiality since then.

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.

Conclude on significant risk areas
We draw to the Committee's attention our conclusions on the significant audit risks. In particular the Committee must satisfy themselves that management's judgements in relation to going concern are appropriate.

Our audit report
Based on the current status of our audit work, we envisage issuing an unmodified audit report and value for money conclusion.

Significant risks

Cut off and completeness of expenditure via accruals and provisions

Risk identified

For 2018/19, the Council approved a budget with a net cost of service of £12.2m. As per the draft financial statements net cost of services show net expenditure of £13.9m i.e. an overspend of £1.7m. Given the Council's current budget position and the 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 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 challenged any assumptions made in relation to year-end accruals and provisions.

We reviewed the year on year movement in accruals and provisions and investigated significant movements.

We tested an enhanced sample of expenditure for late cut-off at year end.

Deloitte view

We have not identified any issues from our testing to date. There are a small number of outstanding supporting documents and explanation to conclude on these areas.

Significant risks

Valuation of property assets

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

Key judgements and our challenge of them

The Council held £316.5m of property assets at 31 March 2019, an increase of £21.9m, made up of £21.7m revaluation gain, £9.0m of additions, offset by depreciation of £8.0m and disposals of £0.9m. Investment properties increased from £9.5m to £11.7m, of which £2.9m was additions and the remainder being valuation losses. We draw attention to the fact that these values have all been changed subsequent to the version of the accounts provided for the initial audit.

All properties were subject to a desktop revaluation exercise in the year as part of the council's approach to the valuations.

Deloitte response

- Our testing of the desktop valuation is ongoing, involving our property valuation specialists, Deloitte Real Estate, with a number of specific queries outstanding.
- Our valuation specialists have completed their initial review and they have requested information from the Council's valuers (Wilks, Head & Eve).

Deloitte view

We are waiting for information from the valuers that are required by our property valuation specialists to conclude on the reasonableness of the assumptions used in the year-end valuations.

We have performed following other procedures to address the risk;

- We have tested the design and implementation of key controls in place around the property valuation and obtained understanding as to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation. In addition, we have assessed what valuation assumptions may have been made if there is a time lag between the valuation and the year end.
- We have reviewed the 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 used our valuation specialists (Deloitte Real Estate) where considered appropriate , to support our review and challenge the appropriateness of the assumptions used in the year end valuation of the Council's Land and Buildings.
- We have tested a sample of revalued assets and reperform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

Significant risks

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.

In our audit plan we referred to consideration as needed of accounting for commercial transactions as a potential area of audit focus. There are not any significant amounts in the 2018/19 account from transactions requiring additional consideration, and therefore we have not separately reported on this.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Council's results throughout the year showed a surplus of income over expenditure.
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

There were no significant or unusual transactions in the period.

Journals

We have performed design and implementation testing of the controls in place for journal approval and we have reported a finding on page 14 in this regard.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We are waiting for supporting documents to complete our testing of the selected journal entries.

Accounting estimates

We have performed design and implementation testing of the controls over key accounting estimates and judgements.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest: valuation of the Council's estate, and the pension liability, as discussed elsewhere in this report.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud.

Deloitte view

We have not identified any significant bias in the key judgements made by management.

We are in the process of conducting our sample testing in relation to the specific transactions in our journal testing to finalise our work in this area.

Conclusion on arrangements to secure economy, efficiency and effectiveness from the Council's use of resources

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.

Our risk assessment

We set out the risk assessment procedures we had performed and our further planned procedures in our audit planning report including discussion with relevant officers and review of Council documentation including internal audit reports. We did not identify any further significant risks from our remaining risk assessment procedures.

- **Housing software**

The Annual Governance Statement reports a significant governance issue in respect of the implementation of the new housing software. We have discussed this matter with relevant officers to understand the nature of the issue and its impact on arrangements during the year. Additional staff resources have been required to mitigate the impact of implementation issues, and expected benefits were not realised in year. Although this has been an on-going issue in respect of staff time, this has not significantly adversely impacted financial control or operational matters. We therefore do not consider this to be a significant risk to value for money arrangements (or to the financial statements). We note that the AGS makes reference to a knock-on impact on the financial statements, although given the nature of the systems this was limited in direct terms (as opposed to on management time).

Deloitte view

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Lewes District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Other matters

Defined benefits pension scheme

Background

The Council participates in the East Sussex Local Government Pension Scheme, administered by East Sussex County Council.

The net pension liability has increased from £10.9m at 31 March 2018 to £11.1m at 31 March 2019 primarily as a result of asset value movements, offset by a slight decrease in the discount rates, and an increase in inflation assumption.

The Council's pension liability is affected by the McCloud legal cases in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Subsequent to year-end, the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability. The actuary has assessed the impact on the defined benefit obligation as being in the range 0.1% - 1% with a central estimate of 0.3% - an adjustment has been made of £0.24m reflecting this as past service cost.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.4%	2.34%	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.5%	2.26%	Slightly prudent
Salary increase (% p.a.) (over CPI inflation)	2.9%	Council specific	Prudent – in line with CPI estimates and recent outcomes
Pension increase in payment (% p.a.)	2.5%	2.31%	In line with CPI estimates
Pension increase in deferment (% p.a.)	2.5%	2.26%	In line with CPI estimates
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	22.1	22.1	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	23.8	23.8	Reasonable

Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson LLP, 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 as shown the table opposite.
- We have reviewed and challenged the calculation of the impact of the McCloud case on pension liabilities.
- We reviewed the disclosures within the accounts against the Code.
- We received assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.
- We tested the movements in pension asset values from 31 March 2018 to 31 March 2019 via substantive analytic procedures. The updated total asset values are consistent with our expectation.

Deloitte view

The Council has adjusted the pension liability for the impact of the McCloud case, and for actual asset valuations at 31 March 2019 (this resulted in recognition of net past service cost of £0.24m).

We have reviewed the 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.

Other significant findings

Internal control and risk management

During our audit we have identified several internal control and risk management findings, which we have included below.

Area	Observation	Priority
Quality of draft financial statements	The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. There were a number of issues including internal inconsistencies between primary statements and notes; new accounting standards and disclosure requirements not being reflected in the accounts; and presentational issues. Together these indicate significant deficiencies in the financial reporting and close process at 31 March 2019. We have discussed a number of recommendations with management to consider in reviewing the year-end reporting and close process, including: • preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council • documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts • documented and reviewed use of CIPFA disclosure checklists • documented and reviewed internal checks of arithmetic accuracy and internal consistency • completion of the CIPFA "pre-audit checks on draft year-end accounts" checklist • documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers. Since the 2018/19 year-end, the Council have taken a number of steps to strengthen the finance team and structures over the financial reporting process, and we recommend continuing to focus in this area.	High

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.

Low Priority

Medium Priority

High Priority

Other significant findings

Internal control and risk management

Area	Observation	Priority
Control/access over bank accounts held by third-party management firms.	We noted that the Council did not have the ability to access its Barclays bank accounts in relation to its Newhaven Enterprise Centre ("NEC") site as it is managed by a third party, Basepoint Centres Ltd. The Council does not have full access to these bank accounts with the only access available being "read-only" access. This is contrary to the agreement that the Council initiated with Basepoint in 2017. Management had taken action in November 2019 and not renewed the contract with Basepoint, NatWest were requested to close the NatWest bank accounts in February 2021 and transfer the funds to the Council's main Lloyds bank account. As a result, we were unable to obtain a bank confirmation for these accounts as at 31 March 2019, as the mandated signatory is Basepoint even if these bank accounts are on the Council's name. Furthermore there were no proper bank reconciliations for these accounts and management had to reconstruct the reconciliations to get a proper position. We have however performed alternative procedures and have gained sufficient assurance on the accuracy on the cash and bank balances. Although management have taken action to address the issue, for the financial year there was a control deficiency due to these circumstances, which impacted the financial statement close process due to the impact on the bank reconciliation process. The deficiencies in the bank reconciliation process were not identified and rectified until audit review of the reconciliations. In future arrangements, the Council will need to continue to focus on ensuring that appropriate banking arrangements are in place (and agreements followed). To the extent that any non-standard arrangements arise, we recommend ensuring additional review of the bank reconciliation processes and controls. Moving forward, management has been improving the internal controls over banks and have started preparing daily reconciliations for all the bank accounts of the Council.	

Other significant findings

Internal control and risk management

Area	Observation	Priority
New accounting standards – IFRS 9 and 15	The Council did not prepare accounting papers on the transition to IFRS 9 and 15 in advance of preparation of the draft account. The initial draft accounts were not updated for changes in disclosure requirements from IFRS 9 and 15. Although our work on IFRS 9 and 15 did not identify any material changes to the financial statements, we highlight that this has been done as a year-end exercise to assess and calculate the impact of GAAP differences, without embedding into the Council’s underlying systems, processes and controls. This presents a risk that new contracts or transaction may give rise to unanticipated impacts in future, or not be detected. We recommend the Council review how to update its day to day accounting processes, including any necessary system and control changes, to reflect the requirements of IFRS 9 and 15 and the process to be followed in assessing new and unusual transactions.	
Preparation for IFRS 16	Although not impacting 2018/19, we note the forthcoming implementation of IFRS 16, Leases, which 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. Due to the pandemic, the timing of implementation of IFRS 16 has been delayed further to 1 April 2022, affecting the 2022/23 financial year. We recommend the Council targets completion of its IFRS 16 impact analysis during 2021/22, and to calculate an adjusted opening balance sheet position for audit. We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council’s underlying accounting systems. We note that management have been progressing planning for IFRS 16, including training of personnel for IFRS 16 implementation, and planning to implement new fixed assets software that will also cover the requirements of IFRS 16.	

Other significant findings

Internal control and risk management

Area	Observation	Priority
Information technology	Our IT specialists raised a number of insights with regards to the Council's systems, including: • Password lockout and lockout duration were not defined; • No use of formal classification systems for potentially sensitive data; • No data leakage risk assessment analysis had recently been performed; and • New joiners created using previous user accounts as templates (which could lead to propagation of inappropriate access levels). Whilst these matters had no impact on our audit approach, they are areas in which the Council could make improvements to the functionality of their systems and to reduce risks.	
Journal authorisation	It was noted during our D&I testing for controls over journal posting, that there is no IT control in place within Civica (the accounting system used) which prevents a user from posting a journal with has not been authorised. Only finance staff are able to post journals and are given instructions to seek approval for journals which are posted for amounts greater than £100k. We note that this is dependent on the journal preparer communicating this to the senior accountant (i.e. they are still able to post journals without authorisation). We note that there is a monthly review performed by Senior Accountant which will identify any journals posted without authorisation which provides a mitigating control, however embedding the authorisation policy into the IT system would improve the control environment.	

Financial sustainability

COVID-19's impact on financial sustainability

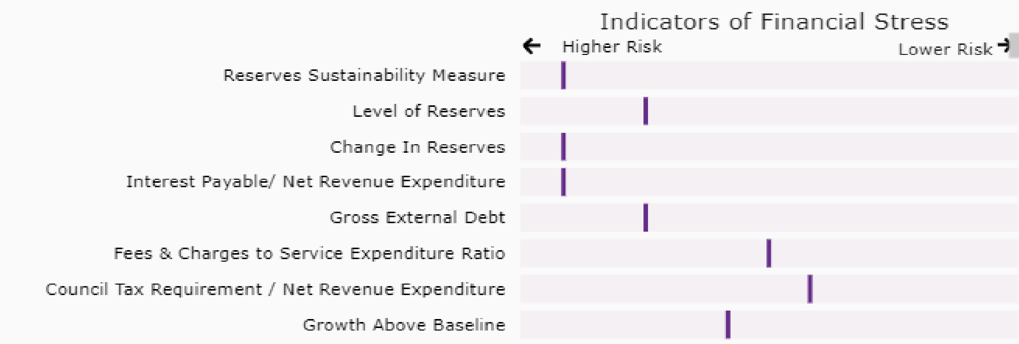
Due to the timing of the COVID 19 pandemic:

- For 2018/19, there is a non-adjusting subsequent event to disclose.
- For 2019/20, there was limited impact on the Council's income and expenditure for the financial year.

However, there is significant impact on operations and performance in 2020/21 and beyond. The government has allocated significant emergency funding and support to local authorities but this still leaves a significant gap which will present a challenge for the Council and will likely be an area which we need to focus upon in our value for money work in 2020/21.

Lewes' position

For the year 2019/20, when compared to comparable authorities in the CIPFA Financial Resilience Index, Lewes was considered to be relatively higher risk in relation to the level of financial reserves. (We note that management are discussing with CIPFA some of the figures used in their index, as this reflects a snapshot position).



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	17.50	37.35	100.00
Level of Reserves	14.85%	75.33%	300.00%
Change In Reserves	-14.63%	-7.44%	69.04%
Interest Payable/ Net Revenue Expenditure	0.00%	11.97%	21.64%
Gross External Debt	£0k	£56,927k	£161,802k
Fees & Charges to Service Expenditure Ratio	11.70%	22.04%	42.74%
Council Tax Requirement / Net Revenue Expenditure	57.16%	75.29%	100.00%
Growth Above Baseline	21.00%	71.00%	113.00%

The pandemic has affected 2020/21 budgets, and the Council has considered various updates during the year to date, including actions that can be taken to mitigate the impact on the Council's income and costs. The Council's response will be an area we focus upon in our value for money work going forward and which we would expect to comment upon in our narrative commentary in the Auditor's Annual Report.

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 - Future sustainability and risks to this posed by Covid-19.	We have assessed whether the information given in the Narrative Report meets the disclosure requirements set out in guidance, is misleading, or is inconsistent with other information from our audit. We fed back some improvements that could be made in various areas of the report to improve drafting and understandability. We have considered the sustainability narrative including the requirement to discuss and evaluate the impact of Covid-19 within this assessment. We note that for the 31 March 2019 accounts, only a reference to Covid-19 as a subsequent event is required which has been added. Overall we concluded satisfactorily in this matter.
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 guidance, is misleading, or is inconsistent with other information from our audit. Overall we concluded satisfactorily in this matter.

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 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 Narrative Report.

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 Committee and 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.

Deloitte LLP

for and on behalf of Deloitte LLP

20 September 2021

Appendices

Appendix -1 Schedule of Misstatements –Accounts Balance or Class of Transactions

During the course of our audit, we have identified misstatements and disclosure issues which we have discussed with management. Management have agreed to adjust most items identified, which are expected to be updated in the draft account presented to the Committee. The table below summarises the misstatements which it is expected will remain unadjusted in the final report.

			Balance sheet		Income Statement (CIES)	
Sr.No	Description	Account balance/class of transact	Assets/ liabilities Dr (Cr)	Other Comprehensive Dr (Cr)	Dr (Cr)	
1	LDC - Recharged Employee Benefits Costs from EBC	Employee Benefits Costs	(180,999)		180,999	There is a difference between the amount recharged by EBC and that booked by LDC amounting to £181k due to non-provisioning of some minor payroll realted accruals by LDC.
2	Debtors provision under IFRS 9	Current Debtors Net cost of services	(134,000)		134,000	After the implementation of IFRS9 in the current year, management is required to measure the provision for doubtful debts in accordance with IFRS 9 ECL model. Initially the provision was calculated and recorded in the old manner. However, management made an assessment afterward and concluded that the impact of such change would be an increase in provision of £134k only hence not adjusted in the financial statements.

We will confirm in writing to the Committee on completion of the remaining matters from the audit any changes to the misstatements identified and the final overall position.

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 the risk of fraud in Cut off and completeness of expenditure via accruals and management override of controls as key audit risks.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

Concerns:

We have not identified any concerns from our audit work.