

North Yorkshire County Council

Progress report to the Audit Committee on the 2021/22 audit

Issued on 17 November for the Audit Committee on 28 November 2022

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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 progress report to the Audit Committee of North Yorkshire County Council (the Council) for the 2021/22 audit. We would like to take this opportunity to thank you for your assistance and co-operation during this year's external audit.

The scope of our audit was set out within our planning report presented to the Audit Committee in March 2022.

Status of our Statement of Accounts audit	<p>Our audit is on-going. Work is still to be performed around the following areas:</p> <ul style="list-style-type: none">• Infrastructure assets following the release of the Statutory Instrument which is expected to become effective on 25 December 2022;• Receipt of bank/investment confirmation letters for NatWest and Santander;• Bank statement evidence for two subsequent receipts samples and one year end debtor;• Subsidiaries – completion of testing;• Receipt of Legal Letter from Legal team;• Receipt of supporting documentation for IT systems work;• Completion of Property, plant and equipment, Payables, Pensions, Reserves, grant income and other services expenditure testing;• Completion of internal quality assurance procedures, including follow-up queries arising from review;• Review of final version of the financial statements;• Receipt of signed management representation letter; and• Our review of events since 31 March 2022 through to signing.
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Status of our Value for Money audit	<p>Our Value for Money work is on-going, and will be reported in our Auditor's Annual Report, which has a publication deadline under the National Audit Office Auditor Guidance Note 3 of three month after the signing of the Audit Opinion.</p> <p>From our work to date, we have not identified any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.</p> <p>Our opinion will state that our work is ongoing.</p>
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Introduction

The key messages in this report (continued)

Conclusions from our testing

- The key judgements in the audit process related to:
 - The completeness of accrued expenditure; and
 - Management override of controls.
- Based on our work to date, we have identified one significant audit adjustment in the group accounts which relates to the consolidation adjustments posted to incorporate the subsidiary account balances, which led to a grossing up of the debtors and creditors balances, and a number of disclosure deficiencies.
- Based on our work to date, nothing has come to our attention that would impact upon our audit opinion, however as noted our work is still ongoing.

Narrative Report & Annual Governance Statement

- We have reviewed the Council's draft Narrative Report to consider whether it is misleading or inconsistent with other information known to us from our audit work. We have a number of open comments that we are discussing with officers.
- We are yet to receive a finalised Annual Governance Statement, which will be reviewed to ensure it complies with the Delivering Good Governance guidance issued by CIPFA.

Duties as public auditor

- We did not receive any queries or objections from local electors this year.
- From our work to date 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 (WGA)

- The Council is below the threshold for detailed WGA reporting as set out in the guidance for 2020/21, however the guidance for 2021/22 has not yet been issued. If the thresholds are changed for 2021/22 we will update the Committee.

Introduction

The key messages in this report (continued)

Infrastructure assets

Infrastructure assets are inalienable assets, expenditure on which is only recovered by continued use of the asset created. They include carriageways, structures, street lighting, street furniture and traffic management systems, and are measured at historical cost, in line with the requirements of the CIPFA Code.

The CIPFA Code requires that where a component of an asset is replaced:

- the cost of the new component should be reflected in the carrying amount of the infrastructure asset; and
- the gross costs and accumulated depreciation of the old component should be derecognised to avoid double counting.

In 2020/21, auditors identified that local authorities in the UK have not been properly accounting for infrastructure assets since the move to IFRS due to deficits in the information held by authorities. This is particularly the case in relation to roads, where the engineering records used for maintenance have not been created to map against identifiable components.

CIPFA/LASAAC attempted to resolve the issues and undertook an urgent consultation on temporary changes to the Code. However, it was unable to agree an approach that addressed the concerns of all stakeholders whilst also supporting high quality financial reporting.

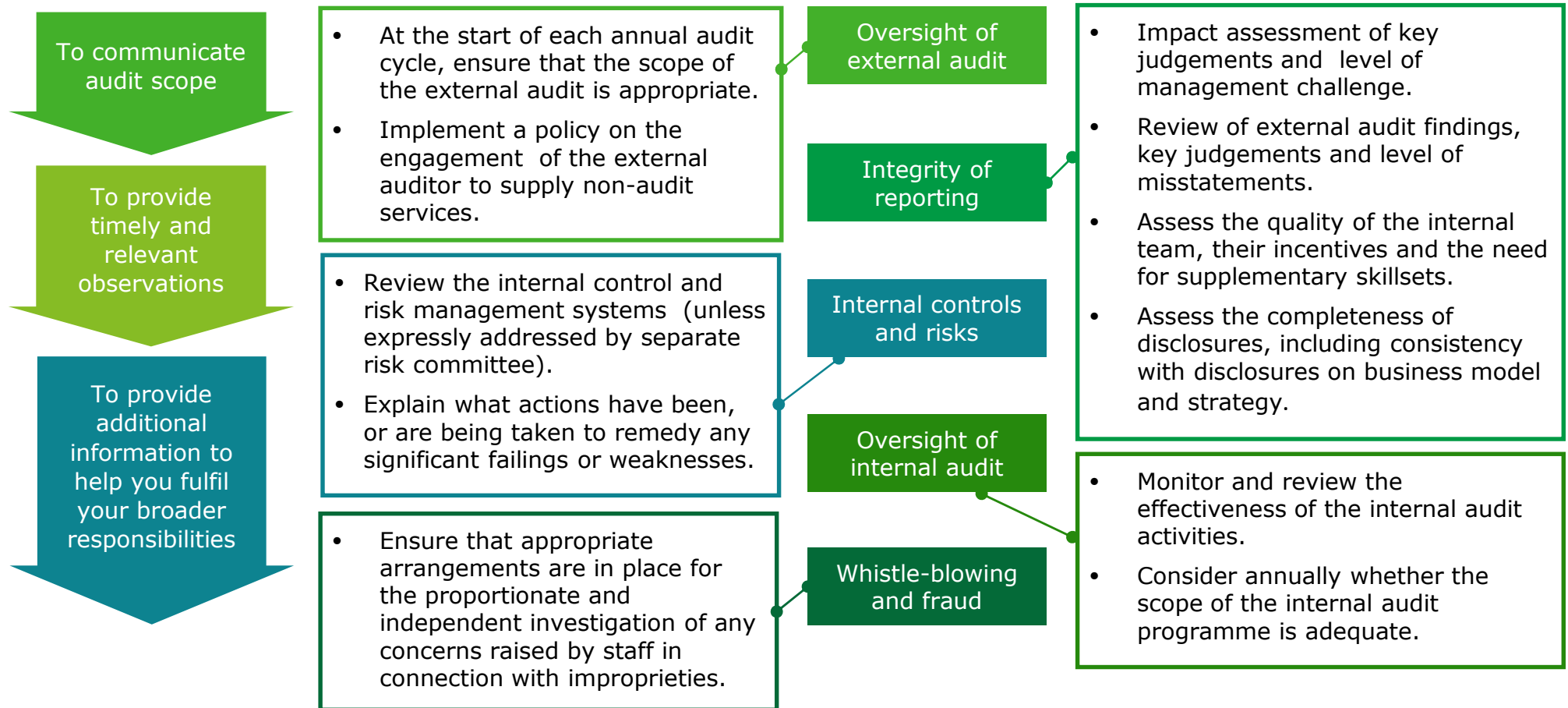
This has resulted in the Department for Levelling Up, Housing and Communities (DLUHC) agreeing to issue a Statutory Instrument, which will help resolve some of the issues identified, whilst a permanent solution is identified. DLUHC are still in the process of drafting the Statutory Instrument, but a finalised Instrument is expected to come into effect by 25 December 2022.

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?







As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.



Quality indicators

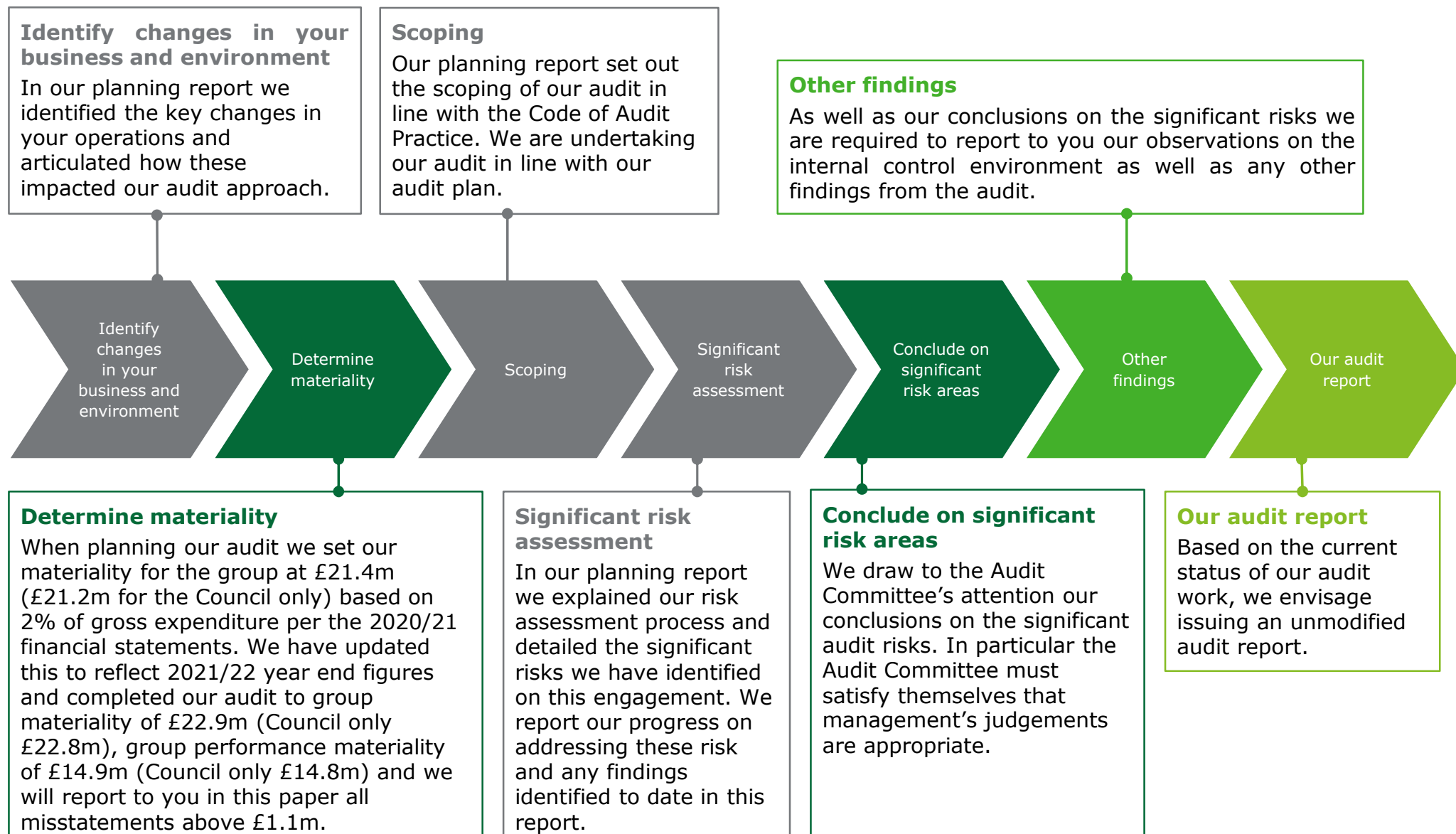
Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		The audit team were provided with key accounting judgements in a timely manner.
Access to finance team and other key personnel		The audit team have generally been provided with good access to the key member of the finance team and wider council personnel. Although it is noted that access was limited in the early stages of the audit due to the team having other commitments in relation to LGR.
Quality and accuracy of management accounting papers		Management accounting papers provided have generally been accurate and produced to a high quality. We have however noted a material consolidation error as part of the accounting papers.
Quality of draft financial statements		A good draft set of financial statements were available from 27 th June, however it would be helpful if any figures i.e. collection fund, that were likely to change were highlighted.
Response to findings and recommendations		The audit team note that there have been recurring findings raised in both the prior year and current year audit, specifically in relation to journal process controls and care home expenditure. We have had a number of discussions with the finance team around amending disclosures in the financial statements in line with our recommendations to date.
Volume and magnitude of identified errors		The audit team noted a material error in the group accounts regarding the consolidation of the subsidiaries, which management have corrected. Furthermore, there were several immaterial errors identified.









Our audit explained

We tailor our audit to your business and your strategy






Significant risks

Dashboard

Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Significant risks							
Completeness of accrued expenditure				Satisfactory		Satisfactory	9
Management override of controls				Recommendation raised (Slide 15)		Satisfactory	10

No control reliance is taken as part of the audit.

Controls approach adopted

-  Assess design & implementation
-  Test operating effectiveness of relevant controls
-  Involvement of IT specialists

Significant risks (continued)

Completeness of accrued expenditure

Risk identified Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk in line with our approach in the prior year, and instead believe that a fraud risk lies with the completeness of accrued expenditure (as well as management override of controls, as detailed on page 11).

For North Yorkshire County Council, there is therefore an inherent risk that it may materially misstate its expenditure through the understatement of accruals in an attempt to report a more favourable year-end position.

Deloitte response and challenge Our work in this area included the following:

- We assessed the design and implementation of the controls in relation to recording the completeness of accruals; and
- We performed focused testing in relation to the completeness of accruals through testing a sample of post year end payments made. Due to the significant risk associated with the Council's processes in this area, we extended this to 91 days to cover the period between April and June.

Conclusion From our work to date we have not identified any adjustments above our clearly trivial threshold in relation to our testing of the completeness of accrued expenditure.

We have identified one recommendation in our testing of completeness of accrued expenditure, see page 14 for details.

Significant audit risks (continued)

Management override of controls

Risk identified

In accordance with ISA 240 (UK), management override of controls is a significant risk due to fraud for all entities. 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 include those which we have selected to be significant audit risks, (completeness of accrued expenditure) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Deloitte response and challenge

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

- With regard to revenue the Council were projecting an underspend of £4m at Q2 (1% of budget) following the first half of the year. Given the volatility and uncertainty caused by a number of factors the overall year-end position was a larger underspend than projected at Q2.
- 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.

Journals

- We have tested the design and implementation of controls in relation to journals.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.
-

Significant audit risks (continued)

Management override of controls

Deloitte response and challenge

Accounting estimates

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgement in the financial statements is that selected as a significant audit risk: completeness of accrued expenditure.
- We have reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

From our work to date we have not identified any issues in relation to management override.

We have raised one recommendation in relation to the journals control process, see page 14.

Value for money

Our work is ongoing and will be reported in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
 - Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
 - If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
 - Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
 - Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.
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Status of our work

Our Value for Money work is ongoing, and will be reported in our Auditor's Annual Report, which has a publication deadline under the National Audit Office Auditor Guidance Note 3 of three months after the signing of the Audit Opinion.

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have reviewed the summary of Value for Money arrangements prepared by the Council, including the supporting documentation provided on the arrangements, and will hold follow-up discussions on areas where additional information is required. In addition, we have:

- reviewed internal audit reports through the year and the Head of Internal Audit Opinion;
 - considered issues identified through our other audit and assurance work; and
 - considered the Council's financial performance and management throughout 2021/22.
-

Findings of our work to date

We have not identified to date any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

Our opinion will state that work is on-going.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p>Care home expenditure The Council's standard approach in relation to care home expenditure is to make payments on a 4 weekly basis. At year end the period which spans the year end is accounted for in the financial year in which it started.</p>	<p>2019/20, Low priority Control environment</p>	<p>It is recommended that the relevant costs should be apportioned between years.</p>	<p>The Accounts and Audit Regulations 2015 set out the requirement to accelerate the production of draft annual accounts from 31 July to 31 May. In response to these changes CIPFA's best practice guidance, to ensure the shortened deadlines are met, recommends that authorities identify areas of the closedown process where it is appropriate to use robust estimation techniques to save time at the year end. The approach taken in relation to care homes uses a robust estimate of expenditure in the year to ensure the deadlines are met but also to ensure that the accounts represent a true and fair view of the financial position of the authority. Although the deadlines were extended for the 2021/22 accounts, the authority continued to adopt this approach to ensure draft accounts were produced in a timely manner and available for the external auditors. The payments to care homes are processed every 4 weeks using the Health and Adult Services system, Controcc and therefore reflect 52 weeks of payments in each financial year. To manually amend the transactions that have been processed by Controcc would not be practical or a good use of limited finance resource and time. Management is satisfied that reporting expenditure in this manner does not have a material impact on the figures in the Statement of Accounts.</p>
<p>Infrastructure Assets – From our work on infrastructure assets to date, we note that all types of assets are held with the same UEL.</p>	<p>2021/22 High Priority Control environment</p>	<p>Infrastructure Asset Useful Economic Lives</p>	<p>[TBC]</p>

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p>Journal process controls From our work on the design and implementation of the controls in place around the posting of journals, it has been noted that there is no review of journals performed prior to posting. In addition to this, there is also no limit in place on the value of journals an individual can post.</p>	<p>2018/19, Medium priority Control environment</p>	<p>We recommend that controls in place around the journal process are tightened to ensure a review takes place prior to posting of journals or for journals above a certain level.</p>	<p>The authority processes a significant number of journals each year and a review of all journals prior to posting is not practically possible with limited resources. The key controls are the budget monitoring framework and formal quarterly performance reporting which would identify any material issues with journals and coding. Budget Managers with the support of Finance would flag if there were any material concerns with figures within their budget areas. Management is satisfied that these additional controls mitigate the requirement to have a formal review of journals prior to posting.</p>
<p>Nil net book value items From our review of the Council's fixed asset register we note that there is a large number of nil net book value assets included within vehicles, plant and equipment and intangibles.</p>	<p>2019/20, Low priority</p>	<p>Management should undertake a review of the nil net book value items held within the fixed asset register specifically within vehicles, plant and equipment and intangibles to confirm that the assets are still in use and that the useful economic lives being applied are appropriate.</p>	<p>Management will undertake a review of nil net books items held within the vehicles, plant and equipment categories of the fixed asset register. The review will confirm whether the assets are still in use and that their useful economic lives are appropriate. This task has been included in new internal guidance notes that have been written to document the PPE closedown process for the annual Statement of Accounts.</p>

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
Review thresholds There are no specific thresholds set when reviewing the budget monitoring reports. There is also no formal documentation showing review of these.	2020/21 Medium priority	It is recommended that the process for reviewing both the budget monitoring reports and the financial statements is documented so there is a clear audit trail. It is also recommended that specific thresholds are set when reviewing the reports, and any variances above those thresholds are investigated further.	Management will consider the impact and potential actions.

Other significant findings

Financial reporting findings

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

Qualitative aspects of your accounting practices:

It was noted as part of the prior year audit, that there were a large number of judgements included within the critical judgements section of the accounts. Deloitte consider that a number of these judgements do not meet the requirements to be considered critical judgements as they are unlikely to have a material impact on the financial statements i.e. valuation of investments in group companies and the bad debt provision.

We have raised a number of other points on the narrative report which are discussing with management.

Other matters relevant to financial reporting:

The consolidation process at NYCC is to consolidate material subsidiaries. Deloitte recommend that all subsidiaries, irrespective of size, should be consolidated into the Group accounts. Deloitte have obtained the client workings behind the subsidiaries that aren't consolidated and have confirmed that they are not material to the Group.

The Council should ensure as part of its consolidation process that it considers whether any adjustments are required to harmonise accounting policies across the group.

We will obtain written representations from Officers and members 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 will be circulated separately.

Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on our audit report. An overview of our financial statement audit work will be included in our Auditor's Annual Report.



Our opinion on the financial statements

Based on the current status of our audit work, we envisage issuing an unmodified audit report.



Emphasis of matter and other matter paragraphs

From our work to date 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.



Value for Money reporting by exception

Our opinion will note that our Value for Money work is on-going and will be reported in our Auditor's Annual Report. We have no matters to date to report by exception in our financial statement audit opinion.



Irregularities and fraud

We will explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Your annual report

We are required to report by exception on any issues identified in respect of the Narrative Report or 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 have assessed 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 considered it in terms of our understanding of the Council which we have acquired during the course of performing the audit, and we have raised a number of comments on the report which are being discussed with officers.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have reviewed the draft Annual Governance Statement and provided initial comments to officers. Once a complete annual governance statement is provided we will undertake our assessment on whether the statement is consistent with 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 Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 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.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

Use of this report

This report has been prepared for 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.

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 Audit Committee.

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.

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

Deloitte LLP

Newcastle upon Tyne | 17 November 2022

Appendices



Audit adjustments

Unadjusted misstatements and disclosures

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements decrease the surplus by £10 million, decrease net assets by £10 million.

	Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m
Misstatements identified in current year				
Unallocated cash received				
Cash	[1]		8.1	
Debtors	[1]		(8.1)	
Goodwin pension adjustment				
Expenditure	[2]	4.4		
Pension Liability	[2]		(4.4)	
Prior Year Property, Plant and Equipment Addition				
Property, Plant and Equipment	[3]		3.7	
Creditors	[3]		(3.7)	
Care Home Prepayment				
Expenditure	[4]	5.6		
Prepayment	[4]		(5.6)	
Total		10.0	(10.0)	

Audit adjustments (continued)

Unadjusted misstatements and Disclosures

[1] Adjustment relates to cash received that has not been allocated against the relevant debtors as at year end.

[2] Adjustment relates to the impact of the Goodwin ruling on the Council's net pension liability.

[3] Adjustment relates to projected misstatement due to the recognition of an addition in relation to FY20/21

[4] Adjustment relates to an overstatement of the prepayment for care home costs as it partially relates to an FY21/22 expense. The expenditure impact is offset by the impact of a similar £4.6m error in the opening position from the prior year.

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement
FV disclosures	We identified some potential differences in the fair value disclosures as set out in Note 39 of the financial statements. As these items are disclosure only, we are not proposing to amend the financial statements. However we do propose that the Council reviews the calculations from the treasury adviser to confirm that the methodology used complies with the accounting standards and CIPFA guidance.
Contracts with service recipients	Within the notes to the accounts the Council should disclose an analysis of the debtors and payables that sets out contract assets and contract liabilities from contracts with service recipients.
Critical judgements	Within this note the items disclosed should have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
Impairment losses	Disclosure within note 18 on impairment losses should be the gross impairment included within the surplus or deficit on the provision of services. Currently the disclosure includes the net movement on investment properties.
DSG	Under the statutory instrument deficits should be posted to the DSG reserve, however given in the current year there is a DSG surplus, this should go to earmarked reserves rather than offsetting in the DSG Adjustment Account.

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 the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised.
Fees	Details of proposed fees for audit and non-audit services performed for the period have been presented separately on the following page.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company'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 have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees (continued)

The professional fees expected to be charged by Deloitte for the period from 1 April 2021 to 31 March 2022 are as follows:

	2021/22 Audit £	2020/21 Audit £
Code audit fee – Council*	72,757	72,757
Additional fee – Covid-19**	TBC	TBC
Value for Money	20,000	20,000
Total audit	92,757	92,757
Teachers Pensions certification fees	8,000	4,500
Total assurance services	8,000	4,500
Total fees	100,757	97,257

* A variation to the fee scale has been proposed due to the changed requirements in relation to the Value for Money work, we estimate the cost to be between £15,000 and £25,000.

** Fees are still in the process of being approved by the PSAA.

Our other responsibilities explained

Fraud responsibilities and representations



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 Audit Committee 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 Audit Committee 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 completeness of accrued expenditure and management override of controls as a significant audit risk.

During course of our audit, we have had discussions with management and those charged with governance, and no significant issues were raised that would require a change to our audit plan.

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

We have reviewed the paper prepared by management for the Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.



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