

Interim report to the Audit and Scrutiny Committee for the year ending 31 March 2019

March 2019

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Update report to the Audit and Scrutiny Committee

We have prepared this update to inform the members of the Audit and Scrutiny Committee of our work since the last meeting.

Annual Report & Accounts 2018/19

We presented our Audit Plan for the year ending 31 March 2019 to the last public meeting of the Audit and Scrutiny Committee in January 2019.

We are engaged in ongoing discussions with the finance team to ensure arrangements for the audit of the financial statements are progressing. These include the following:

- Regular discussions with the finance team to ensure we are updated on developments.
- Scheduling the final audit visit during May /June 2019.

As part of our interim visit we have completed our fixed asset verification testing, testing of additions and disposals to Period 9, commenced our expenditure testing, completed our planning papers in relation to our understanding of the Authority, and updated our working papers on the Authority's key controls and completed fraud discussions. There have been no changes to the audit plan.

IFRS 9 and 15

We have held discussions with the finance team regarding the implementation of new accounting standards impacting on the current year, namely IFRS9 Financial Instruments and IFRS15 Income recognition.

These will require additional work by the finance team to understand and provide their assessment of the impact for the Authority and for ourselves in reviewing and challenging the Authority's assessment. The implementation of IFRS16 Leases for the Local Government will be implemented in the Code of Practice on Local Authority Accounting in 2019/20.

Significant risks

There have been no changes to the significant risks reported as part of our audit plan. We are progressing our work in relation to the significant risks in line with the agreed timetable as set out in the plan.

Brexit

The arrangements following the UK's exit from the EU are not yet clear. We have requested that management prepare a paper showing how the Authority has considered the impact of Brexit including recognition and measurement across the front and back end of the financial statements as a whole. We would be happy to review this as soon as it is available.

While we do not currently expect to include a reference in our audit opinion in relation to Brexit, the uncertainty will feed into a number of judgements and Brexit may therefore be referenced in the audit opinion as a consideration where relevant.

Materiality

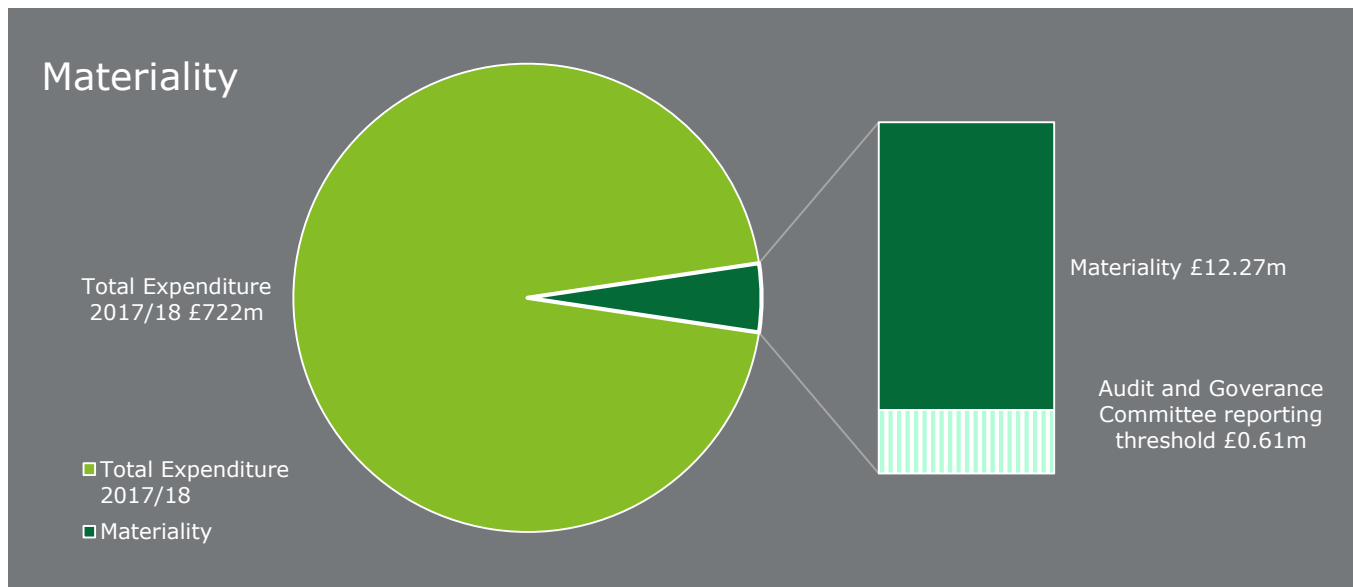
Following completion of further planning procedures and consultation, the Audit Partner has determined materiality as follows:

Basis of our materiality benchmark

- The Audit Partner has determined materiality as £12.27m (previously £14.4m), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 1.7% (previously 2%) of Total Expenditure based on the 2017/18 audited accounts as the benchmark for determining materiality.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.61m (previously £0.72m).
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit partner, the Audit and Scrutiny Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Scrutiny Committee and the Authority 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:

- An update on the testing we have performed as part of the interim audit;
- Communicates the updated audit materiality.

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 Authority.

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.

This report has been prepared for the Audit and Scrutiny Committee on behalf of the Authority, 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. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

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

Deloitte LLP
Bristol | March 2019



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